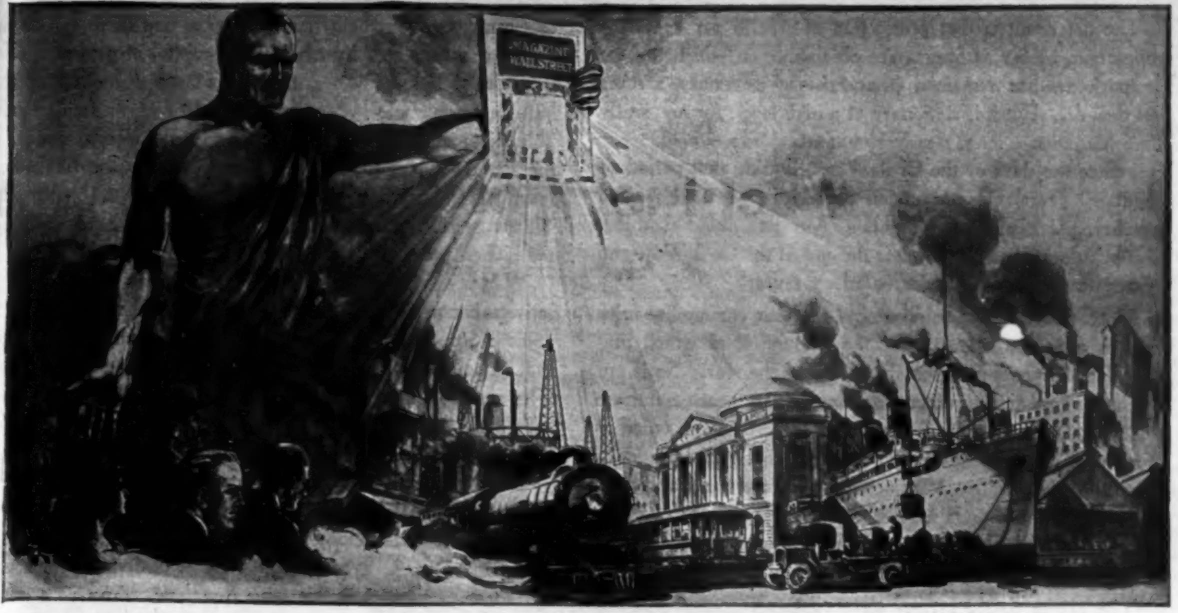


THE OUTLOOK

Success of French Loan Significant—Capital Is Accumulating—Business Conditions—The Market Prospect

THE markets of the last fortnight have shown no radical changes either in prices or in general conditions. This is in spite of the fact that we have had a somewhat contradictory combination of conditions—easier call money at a time when the Federal Reserve Bank ratio has fallen to near its lowest point; and a heavy demand for money for crop-moving purposes, combined with advancing bond prices and a generally firm market for stocks.

The firmness of security markets under these money conditions has been partly due to the fact recently mentioned in these columns—that a falling Federal Bank ratio does not necessarily mean higher money rates under present circumstances, since the Board has direct control over money rates and will probably feel warranted in permitting an expansion of loans to move the crops, provided it does not go too far, without further advancing the very high rates which already prevail.

Prices have also been sustained by the fact that they are already on such a low level, and by the quite general belief that 1921 money rates will be lower than those of 1920.

* * *

FRENCH LOAN POPULAR

THE French Loan, yielding from 8.1% to 9.4%, according to the date when the various bonds happen to be drawn for redemption at 110, was immediately oversubscribed. Most of the bonds were taken by investment houses, with a view to resale, but that merely means that such houses foresee a good market for the bonds among private investors.

As compared with the Belgian Loan, the rate of interest and demand for the bonds indicate a slight improvement in the supply of investment capital available for bonds of this character. As compared with the $250,000,000 British Loan offered here some time previous, of which only a part was sold, the result of the French Loan is decidedly encouraging. The French Loan was smaller—$100,000,000—and it was preceded by a more aggressive effort to familiarize Americans with the extent of foreign recuperation and the degree of progress made towards financial stability in France; but these facts account only in part for the better sale of the French securities.

* * *

AMERICAN CAPITAL GROWS

UNDER normal conditions capital accumulates very rapidly in the U. S. Before the great change which came with the war, it was estimated that produced wealth—not counting appreciation in the value of land—was increasing at a rate not far short of $1,000,000,000 a month. Although a large part of this produced wealth is constantly spent for immediate use and enjoyment, nevertheless the amount that is saved or in one way or another turned into investment channels, is huge when compared with similar accumulations in any other country, or even with the comparatively recent past in our own country.

The productiveness of our labor has in general not increased during the past decade. In many lines there has been an increase in efficiency through use of improved machinery or through better organization, but this factor has been counterbalanced by reductions in the hours of labor and in some trades, by a reduction in the workmen's product as a result of voluntary limitation of output. In fact it is probable that production per worker has fallen somewhat; but on the other hand, the number of workers in proportion to our total population has shown a gain, due largely to the greater number of women employed.

The net result is that production of wealth *per capita of population*, so far as figures are obtainable on which to base comparisons, has remained pretty nearly stationary for the last decade. But it is stationary at a high level, for previously there had been a long, steady rise in our productive efficiency ever since the days of the Civil War. During that period of about 40 years, our production of all sorts of things taken together, per capita of population, had just about doubled. Our population has tripled since the end of the Civil War, and aggregate production has increased six times.

Moreover, we have to remember that our commodity price level is now just about twice the average level which prevailed in the years immediately preceding the war. So if our productiveness and our accumulation of investment capital are relatively the same now as they were then, they are twice as much when we measure them in dollars. If the total produced wealth of the country was increasing before the war at the rate of a billion dollars a month, it would now, with exactly the same actual productive efficiency, appear as two billion dollars a month.

The above considerations serve to throw clearly into the light the fact that acute scarcity of investment capital, in spite of the huge expenditures of the war, is strictly a temporary condition. Some are now saying that a 7% or 8% return on invested capital is likely to continue for years, because of the big "backed-up" demand for capital left behind by the war. But it will be remembered by some of our readers that in 1901 and 1902 many were saying that a new era in interest rates had been entered upon, and that interest returns, which were then down to 3% or 3½% for many of the best securities, would never again be as high as they had been in previous years. Such prophets gave only darkened counsel, and we believe those who now predict a long period of very high interest returns will meet the same fate.

As regards railroad bonds, the downward trend of interest rates has clearly begun, as is plainly seen from our "Index of Corporation Credit" on page 678 of this issue. The rate increase has had some effect, even on these very high grade bonds; but there are evidences in various directions that the trend of interest rates in general is correctly represented by that graph, though perhaps the improvement is somewhat enlarged and emphasized by the special class of bonds selected. There may, and very likely will be, reactions from the trend; progress during the remainder of this year will doubtless be slow; but we must not underestimate the tremendous recuperative and accumulative powers of the United States.

* * *

BUSINESS CONDITIONS

It seems absurd to expect any return to full activity in those lines of business which have fallen off materially, so long as the present close money situation continues. Commercial paper at 8% for the best grade at New York means that many borrowers would have to pay 10%, even if the necessary funds could be obtained at all. The sane business man will not attempt to expand his business on 10% money, or even on 8% money. The handicap is too heavy. And the continuance of the fall in general commodity prices shows that business men realize that fact.

Many business men resent the high interest rates which they are being charged by the banks, but it is the universal rule that scarcity of anything raises its price, and there can be no doubt about the scarcity of loanable capital at present. The same business man who criticizes his bank for charging the highest interest rate it can get with safety on its funds available for loans, would not hesitate to sell his own goods at the highest prices they will bring. In fact, the banks are much less disposed—or perhaps less able—to charge the highest possible rate on loans, than business men are to charge the highest price for their goods.

Wages are not likely to fall at any early date. It is a universal experience that once wages rise they are slow to come down, and owing to the greater unionization of industry that principle will now apply more widely than ever before. The resumption of immigration will gradually increase the supply of common labor, but even there the change will be slow, with little effect on trades requiring skill and training.

But stationary wages, with greater efficiency, have the same effect on costs as lower wages with stationary efficiency; and there is general testimony to the effect that wage-earners are doing more work, even though there is still room for much further improvement in this same direction. And with lower commodity prices, the same wage has a greater purchasing power, generating a relatively greater demand.

* * *

THE MARKET PROSPECT

There is a marked improvement in the money situation, although it may not be easily visible on the surface. The demand for crop-moving money is merely a seasonal one, and high rates as a result of that particular demand are far less disturbing than though they were based on broader and more fundamental consideration. A reference to the graph on page 299 of our July 10th issue, will show that in average years money rates rise ½ or ¾ of 1% from June to September. No such rise has occurred this year. On the contrary, rates have been stationary and recently have even shown a slight tendency toward greater ease. We believe that by November, and possibly sooner, money rates will be on the down grade.

The bond market has now embarked on a gradual upward movement, which should be considerably accelerated next year. If our view of the money market as above is correct, December should be a month of actively rising bond prices.

Railroad stocks in general have, we believe, seen the worst. But the whole status of the business is now changed. Roads previously prosperous, have now less speculative attractiveness, because they must share their excess earnings with the Government, while some roads heretofore in a doubtful position will have large earnings as a result of higher rates. Actual earnings will afford the best test and will be carefully watched by our staff.

The industrials are in a doubtful position. As yet there are no trustworthy evidences that the downward trend in these issues has been reversed, but such a reversal might occur at any time. We regard the next week or ten days as likely to be a crucial period, after which a more definite opinion can probably be formed. Tuesday, September 14, 1920.

NOTE.—Under the above conditions our Investment Letter Service is especially useful, as subscribers to it are at once advised, by mail or wire, as desired, of changes in the market prospect. See page 7a.

World Peace Depends on Solution of the Oil Problem

Van H. Manning, Director of American Petroleum Institute, Urges Policy of Reciprocity Between Nations

***Interview by* FRANCIS J. OPPENHEIMER**

PETROLEUM, which up to 1860 had a place only in *pharmacopœia medica*, has assumed the importance of an international political issue and become an industrial treasure for which the civilized nations of the world are making a mad scramble.

It was a galling experience for John Bull to have to rely on Uncle Sam for American oil during the war, and H. M.'s Government has determined that his navy shall never again be dependent on foreign sources of supply. Therefore, he has built at the British naval base at Rosyth, on the east coast of Scotland—a strategic point—a mastodon-like reservoir which will hold sixty million gallons of the precious fluid. In fact, H. M.'s Government has gone into the oil business inspired by a somewhat worried Admiralty.

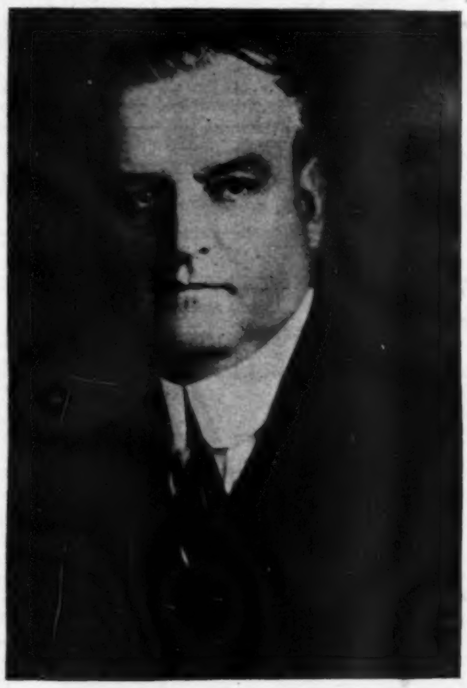
Today the British lion already has its paw on about one-half million square miles of rich Persian oil lands, to say nothing of famous Mesopotamian fields, which at the San Remo Conference were divided up with France, not 50-50, but 75-25, to the discomfiture of M. Bertholet, who was representing France. Sir John Cadman, on the other hand, His Majesty's Petroleum Executive, secured the good end of this bargain, which constituted 18 paragraphs of their "project of agreement on petroleum." And the S. O. of New York, a marketing organization which, under an agreement with the old Turkish regime, was nosing about the Dead Sea (an asphalt lake), a year before the war, has been told to quit by H. M.'s Government until the Palestine regime establishes itself and all old concessions are revised. And yet there be some who deny that Great Britain is sincere in her championship of the rights of the little peoples. Also, the Sea of Galilee may soon see the oil derrick, for under a British mandate a search for oil for the benefit of the empire is about to be undertaken.

Every British expeditionary force that operated in the East carried along geologists who were tapping and mapping, while the armed forces were putting up the "verboten" sign all over the place. And if Great Britain succeeds in piping her Persian and Mesopotamian oil across Turkey to the Mediterranean, it will come pretty near taking away the European trade of "Standard Oil."

England Expects to Control Supply

It is an open boast in England among many oil operators that within twenty years we shall be dependent on English sources to keep our wheels of industry moving. We are accused of having run through a legacy, which had it been properly conserved would have lasted us a century and a half instead of sixty years; that we have misused our oil as we have all our other natural wealth.

Whether it be through "carelessness," or "improvidence" or a "blind gambling spirit," the fact remains—*a serious fact*—that the two curves production and consumption have crossed, and the reasons for this are not far away nor hard to understand. In the first place we are the largest users of combustion engines, operating almost six-sevenths of the motor-driven vehicles of the world. And by 1925, so the President of the S. O. of N. J. informed me, we will need 670 million barrels for home consumption, *an increase of about 78%*.



VAN H. MANNING

Who recently resigned as Director of the Bureau of Mines to become Technical Director of Research of the American Petroleum Institute

Last year we consumed 436 million barrels, I believe, against a production of 376 million. To meet this increased demand our pioneers are scattering to the four directions of the compass as far north as the Arctic Circle. And while up to this writing we have produced about 61% of the world's supply, yet with the first waning of our native wells, it comes as a shock that we possess only about 18% of nature's oil storage tanks. And while we allow nationals of other countries to exploit our oil lands, our pioneers are excluded from about 17 foreign oil-producing lands.

The Petroleum Age

The age of coal is passing, as President Wilson implied the other day in his reply to the anthracite miners in which he stated that if their communication was intended as a threat, "the people of the United States would find some other substitute for fuel." War demonstrated how successfully oil can generate steam, and the fate of our merchant marine is dependent largely on an adequate supply of oil. What good is a superior tonnage that can't move? Great Britain beat us to it in the coal age by establishing in co-operation with British industry coaling stations throughout the world. When ships were wind-driven we were supreme.

What Prominent Oil Men Have Said

This petroleum issue was recently brought to a head by an alarmist article which appeared in the London *Times* and which was copied and re-copied all over the world. In effect it admitted that England *was reaching out to control the world's oil.* Sir E. Mackay Edgar's article did not please the Standard Oil Co., which had been held up in the East by H. M.'s Government and whose Rumanian output may not be able to compete with Mesopotamian oil. Nor does A. C. Bedford, chairman of the Board, mince words over the situation. "Our greatest ally in building up the country's position in foreign fields should be our Government. It should be, but it has not been. There is no use uttering polite phrases about co-operation when there is no home support for foreign oil men with every line of communication cut off. Were not getting a square deal in foreign lands, while other nationals exploit ours. It is a humiliating fact that American capital is today forced to operate under British charters in many foreign lands because of the protection it can gain thereby."

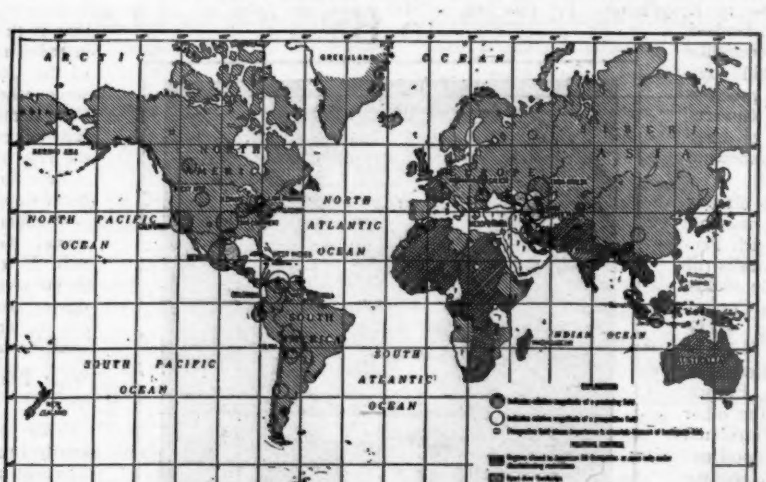
What is to be the outcome of it all? On the one side there is lined up H. W. A. Deterding, head of the Royal Dutch-Shell Group, backed by many hundreds of millions of British capital, and whom Bonar Law described as "a Napoleon in

conception and a Cromwell in thoroughness," or if I may hazard a figure, a new Rockefeller, who has come out of the East On the other, there is the powerful Standard Oil with all its subsidiaries and its enormous resources. And it has every appearance at present of being a war to a finish.

To obtain the latest communique from the petroleum front, I called on Van H. Manning, who had just returned from the International Chamber of Commerce, held in Paris, as representative of the American Petroleum Institute, of which he is Technical Director of Research, and who resigned the post last June of Director of Bureau of Mines, after twenty years service in the Department of the Interior in one administrative capacity or another.

The Policy of Governments

"What," I asked Mr. Manning, "is Great Britain's oil policy?"



This is an interesting map. It was prepared by the U. S. Geological Survey and shows present and potential oil fields of the world. It also shows how political control in some regions has combined to exclude American companies, particularly from the rich oil deposits of Mesopotamia

"I wish it were possible for me to give it to you in some concrete form," he replied, "just what the policy is of the two great oil-producing countries I have just visited, France and England. They told me they had none. Like them, I am afraid that we, too, must plead guilty in this respect, as our chief executives, members of the cabinet, ambassadors, senators, congressmen and oil men will attest."

"Who can take the initiative in framing such a policy?" I parried, bringing from Mr. Manning:

"The last official word on the subject was issued by the Federal Trade Commission when it reported last June to Congress."

Here is the passage Mr. Manning refers to: "While the production of crude oil in this country is still on the increase and the present sources of supply appear to be adequate for some time to come, the probable gradual decline of crude oil production in this country in the not remote future, according to the general prediction of geologists and the men engaged in the industry, makes it seem the part of prudence to encourage those engaged in the oil industry in this country to develop production in such foreign countries which have oil resources as are most available for furnishing supplies of oil, and that such enterprises should be given all proper diplomatic support in obtaining and operating oil producing property."

"Are our oil pioneers abroad getting proper support from our consular agents?" I inquired.

"Our diplomats are doing all that is humanly possible to untangle this intricate problem," he informed me, "and toward making possible and effecting a rightful participation in the development of the world's resources of petroleum. I suggest that our oil men make a careful study of the oil resources of the world, including the laws and regulations governing them. Some oil men believe that our nationals should be assured the exclusive opportunity to explore, develop and market the oil resources of the United States, Alaska, and our insular possessions, provided discriminatory policies of other nations against our own nationals are not abandoned or satisfactorily modified. These persons declare that if diplomatic or trade measures fail to accomplish the desired results, Congress should enact a reciprocity measure in trade relations.

American Explorers Should Be Aided

"Our nationals should, in my opinion," Director Manning elaborated, "be encouraged to develop and market oil in foreign countries through an assured adequate protection to all our citizens engaged in securing and developing foreign oil fields, and also by the promotion of syndication, under a Charter of the United States, of our nationals engaged in foreign business, in order to effectually conduct oil development and distribution of petroleum and its products abroad.

"Since the war there has been a departure from a friendly competition in business between some of the nations, and there has been developed a nationalistic spirit. We must expect that as a natural result of this conflict of wills there would have come an awakened knowledge of self-protection, and that all nations would be forced to give serious consideration to their future supply of raw products. But it certainly is not a very far-sighted policy to conserve within the confines of any nation the materials so essential to the welfare of the world. Seven countries, the United States, Russia, Mexico, Dutch East Indies, Rumania, Galicia and India, have produced 98% of the world's petroleum. Of these the United States *has* led with 61%, followed by Russia with 25%. India the lowest on the list produces 1% and Mexico contributes about 4%."

"Where exactly do we stand with regard to future production?" I asked.

"It is estimated that the United States has about 12% of the recoverable oil in the ground, and Mexico about 7.5%," Mr. Manning replied. "In the United States and Mexico, American citizens control by ownership about 16% of the world's future supply. Outside of the United States, American capital controls about 2%. This means that the United States controls only about 18% of nature's oil storage tanks. These figures certainly do not imply an oil monopoly by the United States. On the other hand they emphasize the necessity of an immediate declaration on the part of our government of a petroleum policy that will encourage Americans in foreign fields, and protect them against ill advised legislation or regulations.

We Have Been Too Liberal

"There is no government that has been as generous as ours in providing equal opportunity to all nations in their oil exploits. We have never taken advantage of our political influence, nor have we assumed the attitude that we 'did not approve of concessions being given to Britishers because we believed the concessions should be confined to our own country.' We have been too generous to other nations," Mr. Manning was warming up, "and none too helpful to our own people. A presidential message to the Senate responding to a resolution requesting information regarding what restrictions were imposed by foreign governments upon citizens of the United States, brought out that there were 17 countries inclusive of colonial possessions having laws and regulations which directly or indirectly or remotely restrict our petroleum development.

"Some countries debar us from owning or evening developing oil producing properties. In other countries, the government controls the industry. In other countries the transfer of shares to other than their own nationals, is prohibited. Some countries have special government license, and in others there is complete nationalization of their mineral resources."

"What transpired at the International Chamber of Commerce, which you attended, Mr. Manning?" I asked.

"The representative five great nations attending this congress realized the dangers of conflict in discrimination to the countries which own raw materials and

(Continued on page 700)

Shipping Board Prepared to Back Our Merchant Marine

Progress Already Made in Gigantic Task of Putting Largest Fleet Ever Constructed on Sound Commercial Basis

By **Admiral W. S. BENSON, Chairman, U. S. Shipping Board**

SHIP production is no longer a problem in America. We have the ships. The problem now is how to operate them so that our main purpose—the establishment of a Merchant Marine—may be accomplished. And the problem is a big one. For the first time in the nation's history, and indeed in the history of any nation, the United States is endeavoring to operate the largest fleet of merchantmen ever constructed. It must be made profitable. We are using every endeavor to that end and it is most agreeable to say that we are doing this with the aid of a growing body of operators of private ships who are managing agents of ships.

The problem resolves itself into several minor ones, each of importance in relation to the whole. We need as a first step the co-operation of every American, and especially the honest, wholesome advice and aid of every American commercial organization. We have competition. It will bring out the best that is in us. Big opportunities are developing in the race for commercial advancement the world over and America must wake up to this fact.

As we have the greatest fleet of merchantmen in the world under single control, there is great need of getting American capital to invest in American lines and steps are being taken to encourage that.

We need prompt and vigorous action to accomplish results. Progress is being made in the establishment of agencies in all parts of the world to look after our shipping affairs in foreign parts. But it is not always easy to find the right men for these important places.

Progress Already Made

The Shipping Board's constructive plans are bearing results. It will now see one of them carried out by an American group having initiative, resource and courage, who purpose to make American shipping their life work and have expressed their desire and intention to help the upbuilding of trade lines. It can be done through the power of law put into the hands of the Shipping Board by the Jones Shipping Act. Because of it the American people may look forward to a logical, sound and constructive growth in the branch of the American merchant marine, as witness the agreement arranged by the Hamburg-American Line and the American Ship and Commerce Corporation, by which some of the trade routes formerly operated by the Hamburg interests will be reopened on an American basis. The general agreement covers the establishment of freight and passenger services under terms highly advantageous to America.


Photo by Brown Bros.

ADMIRAL WILLIAM S. BENSON

We must have American personnel on the ships. The value of the merchant marine will be enhanced immeasurably by the complete employment of our own nationals in that service. While the war was going on it was necessary to employ nationals of other countries allied with the United States to supplement our own, and most valuable aid was rendered by these nationals toward winning the war. But the time has now come when the American Merchant Marine should be put upon a peace footing and every effort must be made to increase the pro-

portion of American citizens in its employment. Statistics of our sea placement bureau show that an average of 6 out of 10 who enter the service of the vessels of Shipping Board control are American citizens. It is encouraging to learn that this percentage is growing higher from week to week.

The Board's Selling Plan

As heretofore stated, after a careful study of the current operating revenue, cost of operation, competitive conditions now existing and that will exist, financial and the general economic situation, the Shipping Board in consonance with the stipulations of the new Merchant Marine act, offers the public the following plan as its ship sales policy: Ten per cent of the purchase price in cash upon delivery of the vessels and 5 per cent in six months thereafter, 5 per cent in 12 months thereafter, 5 per cent in eighteen months thereafter and 5 per cent in twenty-four months thereafter. The balance of 70 per cent will be paid in equal semi-annual instalments over a period of ten years, deferred payments to carry interest at rate of five per cent per annum.

All revenue derived from operations is to be deposited in a controlled or supervised account and the instalments provided for, except initial payment, may be paid therefrom. The purchaser may be permitted to take from the proceeds of operation, after the current instalments are paid, not exceeding 15 per cent upon paid-up instalments, as dividend upon the investment to be distributed to stockholders of the purchasing corporation as it shall determine.

Upon payment of 50 per cent of the purchase price the buyer is to execute a preferred mortgage to the board and thereafter the operation of the vessel is released from the supervision and control of the board, except as to maintaining berth and route.

The position to be taken by the Shipping Board with reference to purchases of vessels maintaining berths and routes will be exercised only in the sale of vessels engaged in specific berth services which must be established in accordance with the Merchant Marine Act of 1920.

Purchasers of tramp and general cargo steamers will not be required by the Board to keep vessels purchased by them in any particular trade route.

In other words, the Board will control the services in which vessels sold are to be kept only when such vessels are engaged on a definite berth service with regular sailings.

The foregoing terms of sale are applicable only to new steel tonnage. In every case the board will insist upon full and satisfactory evidence of the financial ability of the buyer to carry out his contract and meet his financial obligations as they become due. Proof of the purchaser's nationality will be required.

The New Insurance Law

Most important is the new national insurance law, for it will strengthen and develop opportunity for home capital in the marine insurance field of this country. The upbuilding of foreign trade and a merchant marine depends on this agency which holds a strategic position, in the shipping business. At present our laws restrict marine insurance until the business is inadequate for the service of the nation's merchant marine. Each state and territory has its own ideas as to what should constitute marine insurance and the states must be induced to revise their laws so that the nation as a whole may be served. To this end there has been formed the American Marine Insurance Syndicate and we have in course of preparation a bill for Congress to apply to the District of Columbia. The plan is to make it a model for all the other states to follow in revising their marine insurance laws.

As matters stand the foreign marine insurance companies have a great advantage over us. We limit the insurance our companies may write. We tax them unmercifully on their premiums, irrespective of whether or no a profit is made on their underwriting, and we subject them to severe limitations upon their reinsurance privileges and financial operations. Double taxation is not uncommon.

This excessive taxation and the legislative obstructions must be lifted if we are to meet successfully foreign competition. It is desirable that capital shall flow into this field; but as capital acts only on a reasonable profit in sight it will not interest itself to any high degree in marine insurance until what hampers the growth of the business is removed. Marine insurance will be an important factor in the manoeuvring for commercial positions by the nations, and the welfare of the American nation requires a unity of action on our part in all our lawmaking branches to remedy the errors of the past and to establish greater harmony of action in the national interest.

Foreign Dictatorship Unwelcome

No foreigner should attempt to dictate to us where or under what conditions our ships should be run. This has been possible in the past, but in Section 28 in the Jones Merchant Marine Act, recommended by me, law has been created by Congress for the purpose of protecting American ports in the enjoyment of an export traffic moving in American ships and intending to offset the countless discriminations by other nations against American shipping with which Shipping Board ships and private owned ships of the United States have had to contend. This is only one of the many provisions which permit the favoring of American shipping in the trades of the United States with foreign countries, and it was always the purpose of the board of legislation not to give American ships all of the trades, but to give them such advantages as would offset foreign advantages and to permit them to carry at least a considerable portion of the trade between the United States and foreign countries.

As an exemplification of the benefits already resulting from Section 28, a representative of one of the largest exporters and importers in the United States recently called at my office and announced that he had cabled instructions that hereafter their shipments from the Orient should be forwarded in American ships. He announced at the same time that heretofore he had just received preferentials in rates over foreign ships as against American ships, amounting in some instances as high as $10 a ton.

Commercial international information must also be developed into wider use by the U. S.

I will reiterate what I said in this connection, that the United States Shipping Board is determined to support every logical enterprise that aims to develop the spreading out of overseas shipping to the ports nearest the point of production and consumption. The people of the United States may depend upon the Board to stand behind every movement that has this in mind.

Photos by Brown Bros.

AMERICAN BUILT IN TWENTY-ONE DAYS

That we can build good cargo-carrying ships in record time for merchant marine is evidenced in the steamship "Tuckahoe" shown in the photographs—the craft being constructed in 21 days after the keel was laid down

Can the Cost of Building Materials Decline?

Factors That Have Contributed to the Advances Scored Thus Far—The Outlook for Next Year

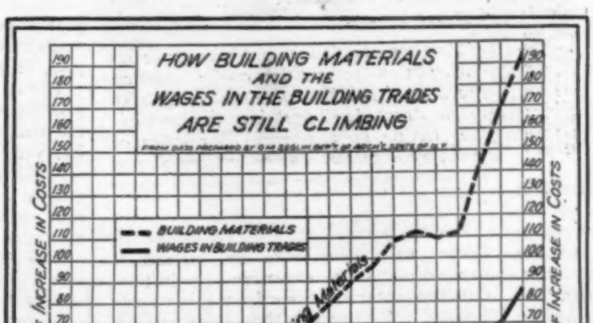
By **JOSEPH JOHN KOEN, Jr.**

ANY discussion of the probable future of building costs as judged by the trend of, and conditions in, the market for building materials themselves is bound to be complex. "Materials" is an all-inclusive word; and, although they compose one of the three basic elements in the industry, nevertheless the relation of materials with, and their dependence upon, the other two elements removes the possibility of simple, direct analysis.

In the first place, it is essential in discussing the market for building materials to differentiate between the raw products which have to be manufactured into building materials—and the fabricated materials themselves.

Curious as it may seem at first glance, there is a sufficient supply of raw materials in this country to accommodate the most ambitious building program that could be undertaken; and yet, at one and the same time, there is an alarming shortage of the materials with which a modern office-building or residence might be constructed.

How serious this shortage has been is depicted in Graph I herewith. This graph shows a series of upswings in the cost of materials beginning in 1915 and culminating in the current year in a final advance of 190 per cent. The advance scored in the various individual materials, discussed in more detail later, are shown in Graph II. In no case has the upswing between 1913 and 1920 been less than 77 per cent., while common brick during the period has soared to a price equivalent to nearly three times its original level, which is exceptionally high.



Graphs, Courtesy Fuller Industrial Engineering Corp.

What are the reasons behind these phenomenal advances? And, how can they be reconciled with an abundance of the raw materials themselves?

The Two Chief Influences

Two outstanding influences have contributed to the unheard-of advances in materials prices—the high cost of labor (coupled with its inefficiency) and the lack of adequate transportation facilities. These influences have been at work now for many months. They have inevitably caused a shortage of supplies. And so, where any less aggravated situation might be remediable at its sources, this one has developed to an extent where remedies of a far more inclusive character must be applied.

In other words, the high materials prices now prevailing, although forced up by two artificial and somewhat temporary factors, now seem "pegged" by the immutable laws of supply and demand. Just as they have resulted from years of underproduction so must they be corrected—barring catastrophe—by years of what, for our purposes, may be called overproduction.

What actual basis there exists for the hope that "overproduction" of the kind we mean may be attained in the near future can best be determined from glimpses into the industrial centers upon whose output the construction world depends.

In the lumber industry I believe it can be fairly estimated that there is an excess capacity of close to 50 per cent. The same ability to nearly double present output, so far as capacity is concerned, may be found in the brick, stone and cement industries, while steel mills might fairly be expected to expand their production of structural steel through curtailment of other products.

Here, then, we have an excess of plant capacity and an abundance of raw materials. Given these two conditions, together with an improving rail service, and you have a strong combination working toward the lowering of materials prices.

But that combination overlooks the labor element, which I have already described in my previous article, and the gaping shortage in building materials which is yet to be filled.

WHAT TWO LEADERS OF THE BUILDING INDUSTRY THINK

The below opinions, written especially for THE MAGAZINE OF WALL STREET, are an interesting evidence of the conflicting opinions prevailing in the construction world today.

G. R. Solomon, Vice-President Fuller Industrial Engineering Corporation:

Civilized man must provide himself with food, clothing and shelter. People must have houses in which to live, factories in which to produce necessities, and office buildings in which to conduct their business.

As long as there are not enough houses to go around, or enough office space to meet the demand, building costs will remain far above pre-war levels. In fact, it is doubtful if they will ever return to the 1914 basis.

There is a silver lining to the cloud, however, and it lies in the fact that the high cost of labor and materials has been a great incentive to architects, engineers and contractors to utilize every possible labor-saving method and device, so that it is still possible for an owner who employs competent technical and construction experts to get considerably more out of his deflated dollar than he might ordinarily expect to receive.

Building costs are not coming down for a long time. We believe that the owner who has reasonable prospects of writing off the difference in cost between the present prices and the slightly lower levels which may ultimately prevail will make no mistake in going forward with his project now.

L. J. Horowitz, President Thompson-Starrett Company:

Answering your inquiry of August 17th, in my opinion building costs will come down in the near future by reason of

(A) The greater efficiency of labor. I do not look for a reduction in the scale of wages; in fact, I doubt if it will be economically advantageous to try to do this, but labor is capable of a greater output than it has been giving. A marked improvement in this respect has, during the last month or two, been made over preceding performances.

(B) Reduction in the cost of materials. I feel that these will come down because

1. Greater efficiency in labor will be reflected in the cost of materials.

2. Promised legislation to remove the excess profits tax will reduce cost of materials, and finally

3. The prices in New York are at present artificially maintained. There is no reason, for example, why brick should cost $30 in New York, while they bring from $10 to $14 per thousand less in Chicago, Detroit and other cities in the Middle West.

Any one willing to prophecy an abrupt decline in wages, an abrupt increase in efficiency and an early satisfying of the millions of homes and buildings still to be constructed can go further and predict an early decline in materials. For my part, I am unwilling, from the evidence at hand, to make that prediction.

An Unwise Comparison

The few converts to the theory that buildings costs must soon react are basing much of their belief on the actions of prices in other lines. With shoes, clothing, grain and the like, selling at great reductions from their war-time levels, the theory of "general trade-price liquidation" has attained some popularity.

Here, plainly enough, is an argument that is fallacious in its premises; for building materials are not comparable with the other trade lines above mentioned; and the causes contributing to the declines in these other lines have yet to appear in the building industry.

The clothing and shoe industries have recently suffered from a large overproduction, resulting from the overzealous anticipation of a market that was never fully realized. In the building industry, instead of there being overproduction there is a huge actual (not expected) shortage. As evidence of this shortage I have seen nothing more apt than the following remarks from a recent statement issued by the Fuller Industrial Engineering Corporation:

"The records of new building construction in the cities of the United States, from 1911 to 1919, inclusive, as published by Forbes Magazine, show the following figures:

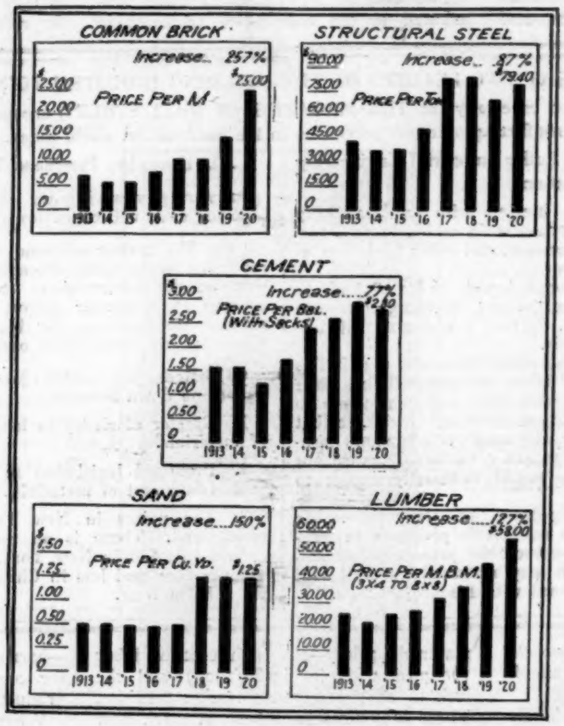
Year	Cost of Building Constructed (000 Omitted)	Average Cost Per Square Foot	Square Feet Built (000 Omitted)
1911	$962,499	$1.59	605,300
1912	1,027,515	1.63	630,400
1913	980,971	1.61	609,300
1914	891,845	1.55	575,400
1915	931,937	1.52	613,100
1916	1,137,160	1.82	624,800
1917	816,941	2.27	358,500
1918	492,163	2.65	185,700
1919	1,467,821	3.20	458,600

"The low average cost per square foot of building constructed, shown in the above table, is due to the high percentage of floor space which consists of the cheapest kind of factory construction, amounting to little more than sheds. The average cost per square foot of modern factories of reinforced concrete, or other fireproof material, as well as of first class office buildings and hotels, is much higher, the range being from $3.50 to $10.50 per square foot, depending upon the character of structure and its location.

"For the years 1911 to 1914, inclusive, the estimated average amount of new building was equivalent to 605,100,000 square feet of floor space per annum. In 1918 less than one-third of this amount was done, and, even in 1919, in spite of the large money expenditure, the amount of building done was 146,500,000 square feet below this figure. Hence, it is clear that ever since the end of 1916 the available building space has been running further and further behind requirements.

"Owing to the increase in population, at least 10 per cent. more floor space is required to be built annually than before the war. Otherwise expressed, we ought to have built about 650,000,000 feet annually during the past three years, or nineteen hundred and fifty million (1,950,000,000) square feet in all. We actually built only about 1,002,800,000 square feet, and this leaves a shortage of 947,200,000 square feet. At the present time, we are building at the rate of about 550,000,000 feet per annum.

Thus we see that in order to make up during this present year the existing shortage of housing space we would have to construct dwellings, factories and offices having an aggregate floor space of about 1,597,200,000 square feet, or almost as much as we ever built in any three past years."



Besides being under the prospective influence of a great shortage, instead of overpowered by excessive production, building materials differ from other trade lines in a further very important respect. So far as I know, no new uses have been discovered for clothing, nor even for food; therefore, with stricken world markets rebuilding, no back-log appears to take the burden of war-time production in these lines. New uses for building materials, on the other hand, have multiplied with amazing rapidity, and the industry is today competing for its supplies with many very important industries which have only recently come to the front. Just as a portion of the high costs of labor can, in a measure, be charged to its divergence to new industries, so can the high costs of building materials.

The automobile industry is calling for tremendous quantities of sheet metal for car bodies—one of the most extensively used materials in the building industry. Ten years ago such a demand for this product was unheard of. The rapid growth of the oil industry—one of the most spectacular growths in history—has called for gigantic amounts of piping of different sizes—a product which, not so very long ago, was manufactured almost exclusively for the builders of houses.

The innumerable new uses that have been found for steel and steel products may further help to explain why we have to pay today $150 a ton for steel erected today, whereas, in former years, $46 a ton was considered a fair price!

Recent Developments in the Industry

The accompanying graphs will serve to illustrate the drastic advances that have already taken place in building materials. It is interesting to note that, since these graphs were compiled, several of the materials covered have scored new high price levels. The price of pig iron, for example, has recently been increased from $46 to $51 a ton.

The industry has simply reached a stage where quotations for any distant date cannot confidently be given, and an overnight advance occasions no surprise.

I talked recently with an acquaintance of mine who does the largest and most important heating and steam-fitting contracting. I questioned him as to his opinion of the future trend of materials prices. By way of reply he remarked:

"My supply houses have notified me that, on September 15, this year, all standing price lists will be canceled and that I may look for a 25 per cent. or perhaps 30 per cent. increase in the cost of pipe, fittings and valves."

The opinion prevails among most of the manufacturers of building materials that the real peak of building material prices has yet to be reached, and that we will see still higher levels than those now prevailing by the spring of 1921. Prices are then expected to remain constant for an indefinite period.

However, it would be idle to suggest that ALL minds in the trade agree on the subject of prices. The two statements reproduced at the beginning of this article are exemplary of the conflict in opinions now prevailing. It is this very disagreement which accounts for the hesitation which, to some extent, now exists in the trade.

It is interesting to note that, after the Civil War, high prices obtained for approximately fifteen years.

[The writer's final article, dealing with public demand, the financial side of the building market, etc., will appear in our next issue.]

Foreign Trade and Securities

Chile's Abundant Resources

Opportunities for Investment of American Capital Extend Into All Lines—Great Wealth Awaiting Development

By **DON EMILIO EDWARDS**

"CHILE is prosperous and seems destined to maintain its prosperity. The expansion of the mining industry and the general progress made along other lines is inviting very substantial sums of foreign capital—particularly American capital. It is the writer's belief—following a study of investment conditions in South American—that Chilean enterprises have returned relatively larger sums on foreign capital than have investments in any other Republic in the Southern Continent. The country has a progressive and enlightened Government and enjoys the confidence of foreign financiers and investors inasmuch as it has never defaulted in its obligations, despite the fact that it has been a borrower for approximately ninety-five years."

These words, quoted from your own American author, Frederick Arthur Halsey, Department of Commerce, who has specialized on investment in Latin America, tell more eloquently than I could ever say to the readers of THE MAGAZINE OF WALL STREET, the opportunities presented by my country to American capital, and give also some notion of the stability of its Government. To these words, I want to add something known to the whole financial world. In 1891, during the only civil war the country has had in one hundred years, the two fighting factions hastened to pay their share of the interest and sinking fund due on the foreign debt of the country, which is quite contrary to the procedure of the revolutionary countries.

A Great Investment Field

First, let me say that Chile presents a great investment field for North American capitalists. English investments in my country amount to about $340,655,000, your currency, and this includes a very large proportion of foreign loans, practically all the independent railways and a number of important nitrate plants, etc. The Germans have about $100,000,000 invested in my country and the United States investments can be estimated at more than twice that amount, or about $225,000,000.

Nitrate offers great opportunities and there are private and state lands. The state lands are sold at public auction, and any foreign capitalist can take part in this sale. The importance of nitrate does not need to be exaggerated; it is the raw material for munitions of war and the principal fertilizer for agriculture.

The nitrate industry at present is 50% Chilean and 40% English. The 10% remaining is in the hands of Germans, Italians, Spaniards, Americans, etc. This should be more than sufficient to reveal to the capitalists of the United States the great possibilities for investment which are offered by this industry.

DON EMILIO EDWARDS, author of this article, is Commercial Councillor of Chile and Consul in New York. On his father's side Mr. Edwards is of English descent and a descendant on his mother's side of Andres Bello, a notable scholar. Mr. Edwards is as proud, perhaps, of the fact that he was one of the nine foreign aviators who first taught the Germans how to fly as he is of the vast store of economic information he possesses regarding his native land.

The Government and the Association of Producers keep up an active propaganda for nitrate throughout the world, and the consumption increases 1,000,000 tons more or less every seven years.

Copper is another field for investment. Besides the large interests of the Guggenheim brothers and the French companies like Naltagua, who have acquired large mining properties, immense deposits still remain, deposits which at some future time will make Chile the largest producer of copper in the world. In 1916, Chile produced 71,430 tons of fine copper. The Chile Copper Company and Braden Copper Mines Company, controlled by Guggenheim interests, is capitalized at $110,000,000 U. S. currency.

Sulphur, gold, silver, borate, mercury and manganese are other minerals to be found in abundance in Chile and only waiting foreign capital for their development.

The iron industry was founded by the French company, Societe des Hauts Fourneaux, Forges et Acieries du Chile. This company began operating before, but suspended all work during the war. It has now reopened the furnaces of Corral working under the system of Prudhomme, using wood, instead of coal.

The Bethlehem Steel Corporation of the United States has established large interests in Chile, having purchased the deposit of Cruz Grande from the French company, above mentioned, and Mr. Charles Schwab has declared that these deposits will be developed on an extraordinary scale.

Numerous iron mines await capital to develop them.

Possibilities of Paper Industry

Another industry offering great opportunity for capital, is that of wood pulp, for which the forests of the south have trees of excellent quality for this purpose. Tests have been made with Chilean cellulose, giving very good results. Given the scarcity of paper throughout the world, capitalists should investigate the possibilities of this industry in Chile.

Other riches, such as the fisheries and stock farms in the islands of the south,

have acclaimed the ambitions of European and Japaneses investors.

Because of the high cost of labor in the United States, Chile offers splendid opportunities to those who wish to promote the shipbuilding industry, the steel industry, and the manufacture of agricultural machinery to supply the markets of Argentine, Peru, Bolivia, Paraguay, etc. Chile has coal, iron, great water power, good railroads, laws protecting foreign capital, port facilities and so on, all of which will in time make it an industrial center of first rank. The two "bolsas" or stock exchanges in Chile are important institutions and, because of the general prosperity of the industries of the Republic, are centers at present of considerable activity.

The region of the north produces nitrate, copper, iodine and borates. The principal districts of this region are Arica (where the Chilean railroad to La Paz, Bolivia, begins); Antofagasta, (terminal of the English railroad to Bolivia); Iquique and Taltal. This entire section is known as the "nitrate region" with the exception of Tacna and Arica which does not produce any nitrate but where there is a little agricultural development.

The central part is agricultural, industrial and mining. It embraces the largest section of the country, made up of many rich valleys and mountain sides. There are found the principal cities: Santiago, the capital, with 500,000 inhabitants; Valparaiso, the main port, with 280,000; Talca with 70,000 and Concepcion with 80,000.

The largest copper deposits in the world are found here as well as extensive coal mines. Consumption of copper totals about 3,000,000 pounds a year, of which half is native production.

The southern division comprises the lands that have been opened to development in the last fifty years. The wealth of this region lies in its agriculture, forests, fisheries and stock farms. The archipelagos extending from Chiloe to Tierra del Fuego, have made great strides forward during the last fifteen years in agriculture and cattle raising.

New Roads to Be Built

Last month a special law was passed in Congress to construct a network of modern roads through the Republic. This law creates an annual fund amounting to about $3,000,000 to be used exclusively in the construction of highways. In this way it is hoped to relieve some of the railroad congestion and increase the use of automobiles and motor trucks by the tourist and the commercial traffic, which will present new opportunities for the importation of American automobiles.

The greater part of our 7,000 miles of railroads belong to the Government. Chile had the first railroad in Latin America in 1849. Practically the entire country has railroad service. The longitudinal line extends over the territory lying between Arica and Puerto Montt where it branches off into transversal lines.

Electric locomotives are used in the nitrate plants and mines. The nitrate of soda fields cover an area of 344 square miles and are estimated to contain 254,760,000 short tons of nitrate

Mr. Halsey, whom I quoted at the beginning of this article, has stated that Chile is well equipped with railways. At present, however, the railroads (both those controlled by the Government and those owned by private interests) are suffering from a lack of cars and locomotives due to the extraordinary development of traffic. One of the most perfect railroad repair shops is to be found at San Bernardo with machinery purchased in the United States. A new repair shop will soon be put up in Valparaiso.

As regards public works, numerous canals have been constructed recently for the purpose of irrigation, making a larger surface of the ground fit for agriculture. In 1920 three such canals were completed which reclaimed 120,000 hectares. The work now under way will give value to 90,000 more hectares.

In one year 171 new bridges were built, 41 of which are of reinforced concrete.

Work in the Port of Valparaiso amounting to £7,000,000 is now being done, and the work in the Port of San Antonio to relieve the congestion at Valparaiso has been completed.

All Ports to Have Terminals

The new dock at the military Port of Talcahuano will soon be finished. This has cost 180,000,000 pesos of gold of 18 d. The plan of the Government to equip all the principal ports with terminal facilities is one of the definite policies of the country. Ordinary and extraordinary resources are set aside for this work.

The Compañia Sud Americana de Vapores (South American Steamship Co.) of Valparaiso, a company operating a commercial fleet along the West Coast for more than 50 years, has just established a direct steamship line between Valparaiso and New York. It will put into commission three more 10,000-ton boats, at the end of this year. The C. S. A. V. has a fleet of 13 ships running weekly between Panama Zone and the Chilean ports.

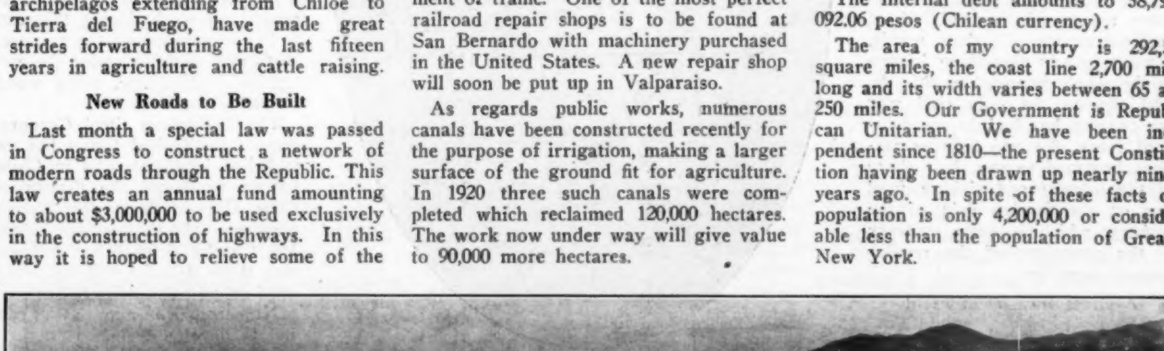
From 1916 to 1920, 64 large schools have been built to house 34,000 pupils. The Law of Compulsory Primary Instruction has been proposed because the country is now in a position to make it effective. There are 3,200 public schools of the state and about 700 private schools. The budget for public instruction for the year 1920, amounts to 45,000,000 Chilean pesos (25 American cents to the peso).

As regards our commerce the international trade in 1918 amounted to 1,218,732,676 pesos of gold of 18 d. of which 782,658,661 pesos was export and 436,074,015 import.

As regards the public debt: The foreign public debt in 1915 was £34,556,380; it has since been reduced to £29,675,080.

The internal debt amounts to 58,794,092.06 pesos (Chilean currency).

The area of my country is 292,500 square miles, the coast line 2,700 miles long and its width varies between 65 and 250 miles. Our Government is Republican Unitarian. We have been independent since 1810—the present Constitution having been drawn up nearly ninety years ago. In spite of these facts our population is only 4,200,000 or considerable less than the population of Greater New York.



THE EXTENSIVE SURFACE PLANT OF THE CHILE COPPER COMPANY

Mining is Chile's most important industry, and while copper leads, gold, silver, lead cobalt, vanadium, manganese and coal are also mined

The World's Business

Big Dividends Declared by German Chemical Companies in 1919

REVIVAL IN GERMANY'S CHEMICAL INDUSTRY

FROM Germany comes the surprising news that the former empire's great chemical industry, instead of tottering under the strain of deflation and reconstruction, actually ended the year 1919 with profits large enough to warrant dividends far in excess of those declared in 1918.

Reports of the various leading chemical companies for the year 1919, as compiled by the European Dividend of the Bureau of Foreign & Domestic Commerce, show the following:

The Chemische Fabrik Griesheim-Elektron, of Frankfort, declared in 1919 a dividend of 12%, as contrasted with 7% in 1918—and this after setting aside over 4,000,000 marks for depreciation. The Chemische Fabriken of Urdingen explain similar profits through the sale of stock held abroad. The Aktien Gesellschaft fur Anilinfabrikation ("Agfa") of Berlin reports gross profits of 24,877,000 marks in 1919, as compared with 13,700,000 marks in 1918, warranting a dividend of 18%. The Badische Anilin und Sodafabrik closed its works at Ludwigshafen and Oppau in November because of shortage of coal; the nitrogen works at Mersburg shut down because of political disturbances. In all these cases only a fraction of full production was reached by June, 1919. Over 60,000,000 marks were written off, and yet the firm declared net profits of nearly 30,000,000 marks, justifying a dividend of 18%.

The Farbwerke of Hochst-am-Main report that manufacturing was largely at a standstill during 1919 and early in 1920, only the pharmaceutical departments producing normally. But here, too, the company was able to declare a 14% dividend, as contrasted with 12% in 1918, on a basis of net profits of nearly 25,000,000 marks, even after deduction of an extra expense of 80,000,000 marks in increased wages. The gross profits of the Chemische Fabrik Rhenania, of Aix-la-Chapelle, advanced from 1,938,000 marks in 1918 to 5,723,000 marks last year. The dividend was increased from 10% to 25%. Kalle & Co., of Biebrich, reported that only a part of the more important departments were operating, and yet, after deductions for depreciation, the dividend was increased from 7% to 14%.

Explanation of this phenomenon is to be found in the fact that German chemical prices during 1919 were raised to unheard-of levels. Due to a shortage of coal and raw materials, the closing of plants, the scarcity and high cost of labor, as well as poor transportation facilities, production fell off very heavily. Domestic and foreign demand, however, instead of relaxing, increased heavily. Price soaring was the inevitable result.

Some idea of the actual advance registered may be obtained from the table herewith comparing German fertilizer prices over a period of seven years.

Here is what the Berlin Chamber of Commerce for 1920 has to say on the subject:

"The chemical industry and the trade in chemicals, raw materials, and auxiliary products suffered in war time greater changes than most branches of industry. Germany was in normal times heavily dependent upon foreign countries in many matters of production and distribution; this field was entirely cut off by the war. A transformation of the whole industry was the only solution. The brilliant achievements of those who had the matter in hand are testified to in the manufacture of explosives and artificial nitrates. And yet these achievements are merely isolated instances among the many which were accomplished with raw materials drawn from domestic and a few neutral sources.

"Increase in salaries and in wages of operatives as well as ever-rising costs of coal and raw material resulted, of course, in continuous increases in costs, which were accentuated by the shortage in coal and transportation. The effect was felt all along the line; the selling price was a mere barometer of conditions.

"No relief may be expected until the rate of exchange and inflated values have been brought back to normal. The demand is good, indeed almost impossible to meet, and yet production can not possibly be accelerated.

"Government control of sulphuric acid and other basic products grew more rigid rather than more lax. The shortage of pyrites made it useless to attempt to meet the demand. The maximum prices were set higher and higher, but production was dependent upon more fundamental things than money.

"Hydrochloric acid was released from control in March, 1919. After a few months' production conditions were such that sales could be made even in Scandinavia and Finland, so that business in this line may be said to have been good. There was also a heavy demand for Glauber's salts, a by-product of hydrochloric; it was impossible to fill the demand in Scandinavia.

"Liquid anhydrous ammonia was in great demand. The small production of ammonium carbonate never permitted market prices to be within reason. Raw material for ammonium sulphate was exceedingly scarce, and yet the maximum price was so low that manufacture was unprofitable.

"The marketing of pigments and dyes was restricted in the early part of the year because of the revolution; later on conditions improved until it was even possible to export some to neutral countries. With the signing of peace, export to France, Belgium, and Italy set in until pre-war figures were met, especially in Belgium and Italy. It is very agreeable to note that the French trade also promises to pick up. England is still holding off. America, once a favorite territory, is still closed to us, and it is doubtful whether after peace is ratified our exports to that country can be built up again since the dye industry is making such strides over there. Inquiries as to the market in the Orient indicate that that trade is reviving.

	Price per kilo.						
German Fertilizers.	1913	1914	1915	1916	1917	1918	1919
Thomas slag, phosphoric:	Marks	Marks	Marks	Marks	Marks	Marks	Marks
Spring	3.64	3.92	4.56	3.28	5.76	6.33	5.96
Fall	4.00	4.08	4.80	5.76	5.76	6.33	15.72
Kainit, 12% pure potassium:							
Spring	1.20	1.20	1.20	1.88	1.56	2.16	3.12
Fall	1.20	1.20	1.20	1.56	2.16	2.76	4.92
Potash, 40% pure:							
Spring	6.20	6.20	6.20	6.80	8.20	....	16.40
Fall	6.20	6.20	....	8.20	10.20	14.00	26.80
Ground calcium carbonate	.80	.80	.80	1.05	1.20	1.80	3.35
Lime	1.85	1.85	1.85	2.40	4.15	5.00	9.56
Ammonium sulphate	14.00	13.50	23.80	29.60	29.00	29.60	78.00
Calcium nitrate, 60%	9.25	14.00	22.80	28.00	28.00	34.00	68.00
Ammonium superphosphate	....	....	....	....	13.40	16.70	45.50
Superphosphate, 10% phosphoric	3.82	3.54	4.85	9.75	9.80	17.80	41.00
Rhenania phosphate	....	....	....	6.00	6.00	10.15	27.75

Money, Banking and Business

Production Increases as Commodity Prices Fall

Steel Orders Down a Trifle, But More Iron, Coal and Steel Turned Out

By G. C. SELDEN

OUR charts showing "The Trend in Money, Prices and Production," disclose some interesting changes this month. The movement that is relatively widest and of the greatest comparative importance is the fall of commodity prices, which was greater—according to the Bradstreet figures—during the month of August than had been anticipated.

Commodity prices are now down about 13½% from the highest point touched. They are approaching the low point of March, 1919, and are just about double the pre-war level, while at the highest point they were about 2 1/3 times that level.

According to last reports prices in Japan were about 2½ times those of 1914, England 2¾ times, France 5 times, and Italy 6 times, Canada 2½ times, Australia 2 1/3 times. If it could be assumed that the money of these various countries was as good as United States money, this country would evidently be in a good position to build up its export trade, since all these foreign price levels are relatively higher than ours. But this assumption cannot safely be made. Even English currency is not strictly on a gold basis, although there is a reasonable assurance that it will in time get back to the gold basis; and the future of French and Italian money is uncertain, although it is highly probable that at some distant date the money of these nations will again be exchangeable for gold.

Our Foreign Trade

As matters now stand, with the value of the English pound sterling at New York again down to 72% of normal, we have no price advantage in our trade with that country; for although English prices are lower than ours, the money in which they are measured is also lower as compared with the dollar—and in almost exactly the same proportion. This relationship between price levels and sterling exchange is exactly what would be expected, and merely serves to show that war disturbances are passing away, so that prices here and in England are again being fixed by supply and demand as before the war.

Our foreign trade balance also, as seen from the graph, is once more back within normal pre-war limits. Any rise in our monthly excess of exports over imports will be temporary, for the whole logic of the situation points to bigger imports. Since these imports will be largely to pay the interest on loans, they will increase our wealth in the end, but their immediate effect may be slightly disturbing to American industries.

Better Production

The increase in production of pig iron and bituminous coal is not, of course, any direct result of the fall of commodity prices, yet there is undoubtedly an indirect relationship. Falling prices have released labor in several industries; some of this labor has flowed over into other industries; its arrival there has led workmen to reflect on the desirability of holding their jobs, and therefore to turn out more work and increase production. a special influence, however, was the increase in railway wages, which enabled the railroads to hold their men better and also encouraged the men to speed up transportation efficiency. But there is still room for much more improvement in this direction.

August production of steel ingots, also, was larger than for any other month since March, being 3,000,000 tons against 2,800,000 in July and 2,746,000 in August, 1919.

Unfilled Orders Fall

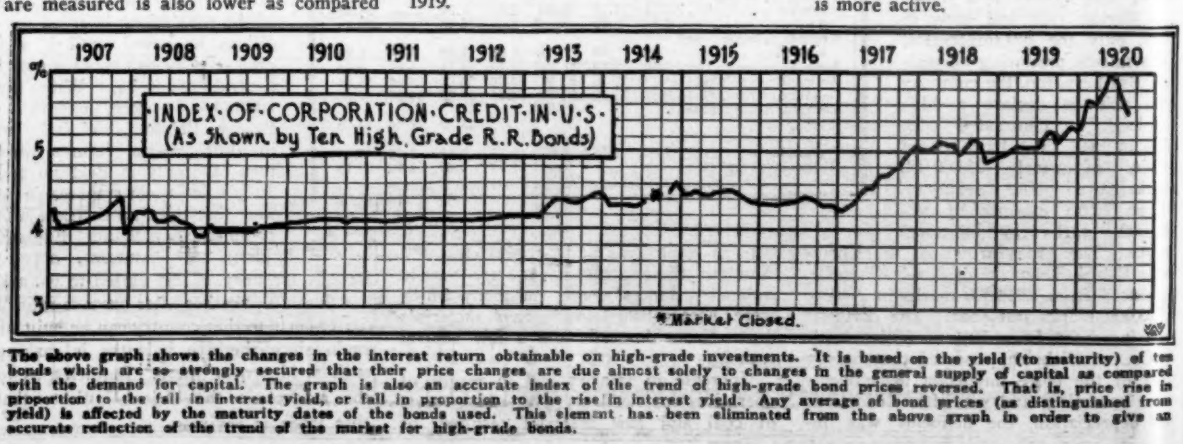
The unfilled orders of the U. S. Steel Corporation, which afford one of the best indicators of business conditions, showed a slight drop at the end of August, after a steady advance since March, 1919. As will be seen from the graph, these orders have now had a normal upward swing—the very high figures of 1917 having been abnormal, because of the war. The U. S. Steel Corporation is reported to be operating at about 80% or a little more.

This slight fall in unfilled orders is not due to any unusual quantity of cancellations, although some have jumped to that conclusion. It is due to some slackening of incoming orders combined with an increase in production, which has tended to clear up the old orders faster than for several months past.

I believe that a downward trend of unfilled orders will set in before long, though a good deal depends upon how many new orders are placed by the railroads. The steel business is dependent on new construction to keep it up to full production, and the present very high money rates have a very strong tendency to check new construction. There is so far no indication that "deflation" in industry is over, nor can we form any trustworthy opinion as to when it will end. Like the measles, it generally has to "run its course."

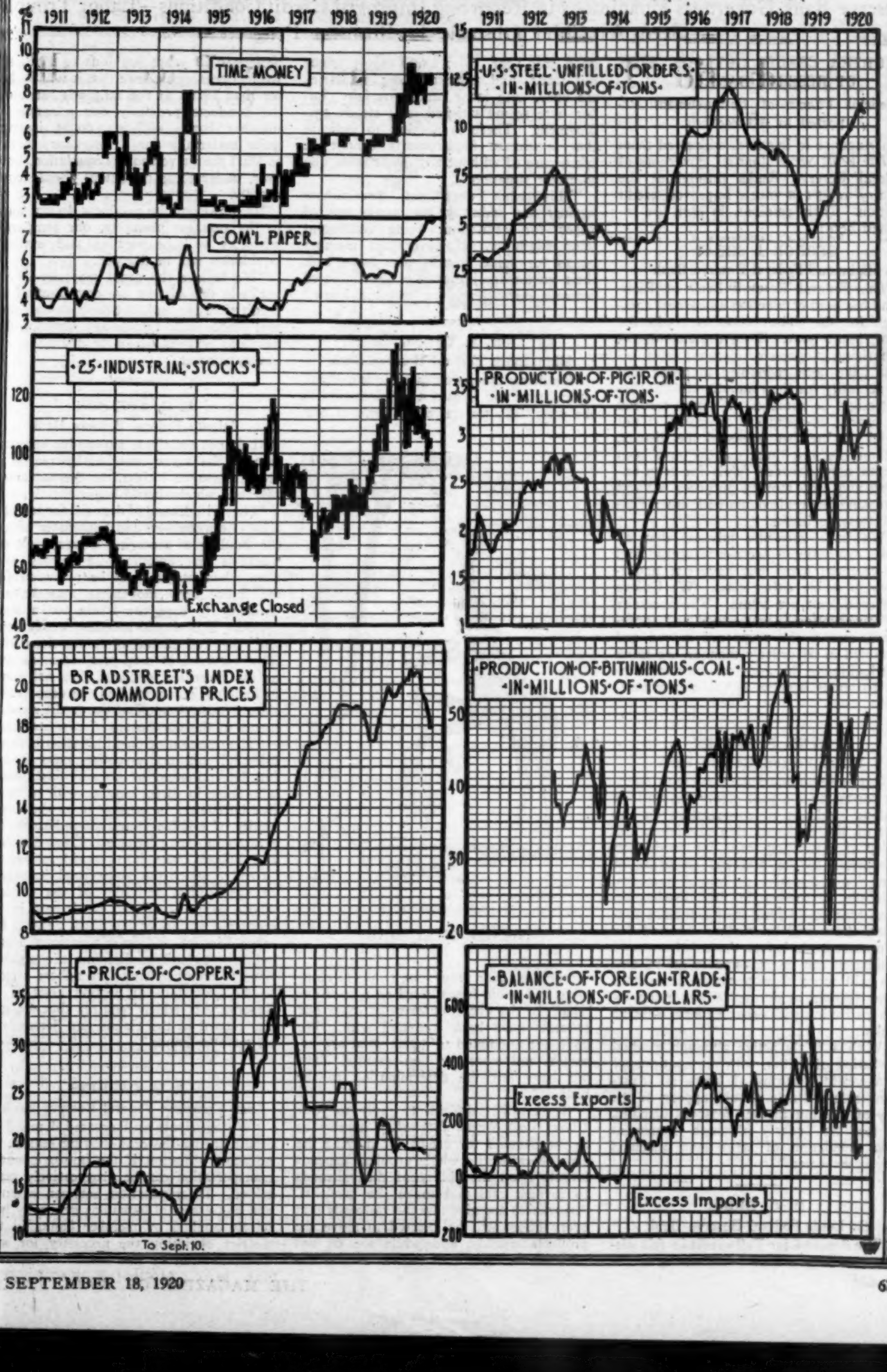
The failure of a Boston trust company emphasizes the probability that failures will increase for the rest of the year and up to January, 1921, but I see no reason to think that they will become big enough to introduce any really serious danger in the industrial situation as a whole. Naturally, they cannot be helpful.

Without expecting any serious business depression, most of these factors indicate that business will be less active before it is more active.



The above graph shows the changes in the interest return obtainable on high-grade investments. It is based on the yield (to maturity) of ten bonds which are so strongly secured that their price changes are due almost solely to changes in the general supply of capital as compared with the demand for capital. The graph is also an accurate index of the trend of high-grade bond prices reversed. That is, price rise in proportion to the fall in interest yield, or fall in proportion to the rise in interest yield. Any average of bond prices (as distinguished from yield) is affected by the maturity dates of the bonds used. This element has been eliminated from the above graph in order to give an accurate reflection of the trend of the market for high-grade bonds.

THE TREND IN MONEY PRICES AND PRODUCTION



The Future as Financial Leaders See It

Reserve Bank Governors Unanimous in Reporting Improved Credit Conditions—Labor Troubles Seen As Chief Obstacle to Business Progress

BRIGHTER CREDIT OUTLOOK SEEN BY RESERVE BANKERS

Beneficial Effects of Retrenchment Reported in All Sections

In response to inquiries addressed them by *The Wall Street Journal*, governors of Federal Reserve Banks throughout the country report a much improved credit position. Their opinions, in part, are reprinted here:

GEORGE J. SHEAY
Richmond Federal Reserve Bank

"The Federal Reserve Bank of Richmond has been conducting an earnest campaign for the conservation of credit for more than a year. Since the amendment authorizing progressive discount rates, efforts have been redoubled in order that the necessity for their adoption in this district might be avoided. We have secured the hearty co-operation of many, if not all, of the member banks of the district, and for the past three months have been able to supply needed funds for crop finishing and crop moving purposes without increasing our rediscounts with other Federal Reserve banks.

"We have earnestly advised that all banks discriminate between essential and non-essential loans but have not undertaken to define either class. We believe that conditions are sound. The necessity for conservation is understood and appreciated, and if the crops are moved and marketed in an orderly manner, we think that legitimate demands can be met without an undue squeeze in the money market."

LYNN P. TALLEY
Dallas Federal Reserve Bank

"Our rediscount transactions with member banks for the past ninety days afford striking evidence of co-operation on the part of the banks of this district in the policy of restricting loans for production enterprises to the practical exclusion of loans for speculative or capital purposes.

"While borrowing in this district has about reached its peak for production purposes, there will be further demand for crop movements before the usual seasonal liquidation can be expected to set in, and this will more than probably necessitate some further moderate rediscounting by this institution with other Federal Reserve banks.

"With a fairly active although gradual marketing of cotton, with the continuance of a careful scrutiny of loans, no insurmountable obstacle should appear in the way of meeting further seasonal demand, so that an orderly although somewhat slow liquidation of large loan accounts may be expected."

D. C. BIGGS
St. Louis Federal Reserve Bank

"The demand for Fall credit in this district naturally will be heavy owing to the good crop year. Merchants report splendid trade, and manufacturing industries are busy, with labor conditions fair. Labor here seems satisfied with steady employment. There is nothing to indicate that legitimate requirements cannot be taken care of without any disturbance due to credit situation.

"This bank does not discriminate against any industry, the acceptance of paper for rediscount being contingent upon eligibility. However, our member banks for some months past have with their customers judiciously discriminated between essential and non-essential loans."

R. A. YOUNG
Minneapolis Federal Reserve Bank

"Realizing the demands for commercial, agricultural and livestock requirements in the year 1920, we started as early as November last year requesting banks to eliminate and avoid loans based on non-essentials. In the great majority of cases our requests have been complied with. We have not attempted to define what are essential and what are non-essential loans but have left the determination to the banks.

"It is rather difficult to reply to your (*The Wall Street Journal's*) inquiry as to the demand for credit for moving the crops because the whole problem depends largely upon the ability of the railroads to furnish cars and move the products. Assurances are given by the railroads that every effort will be exerted to move the products quickly, and while we do not look for as rapid a movement as was experienced in years previous to 1918, still we feel reasonably sure that it will be better than 1919. If the railroads can move the products promptly our advances to member banks will no doubt increase quite materially for a temporary period to start the movement. Liquidation, however, under these conditions should come rapidly.

"If, however, the products do not move to the markets promptly, our temporary advances will be smaller and eventual liquidation will be delayed.

"We believe the great majority of the banks in this district are cognizant of the credit situation and that their co-operation will enable us to handle any situation that develops without seriously disturbing the money market."

Seibel in Albany Knickerbocker Press.

THE TIE THAT BINDS

L. C. ADELSON
Atlanta Federal Reserve Bank

"I do not anticipate any undue aggravation of the money market by reason of credit demands incident to the movement of crops which should begin shortly.

"The withdrawal of deposits for tax payments between now and September 15 and the funding of maturing Government obligations on September 15 coming at a time when credit must be provided for the initial crop movement may have a tendency to ease the strain for a short period. This should speedily rectify itself and the retirement of obligations that were incurred in crop production as well as the increased deposits that will come to banking institutions as the crops move should more than offset the credit requirements of the purchasers of raw materials.

"The question of discrimination between essential and non-essential loans is left for determination by banking institutions who come in direct contact with prospective borrowers in passing upon the desirability of eligible paper offered to us for rediscount or purchase. Our directors and officers take into consideration the extent to which the commercial, industrial or agricultural activities of the concern whose paper is offered participate in the economic welfare of the Sixth Federal Reserve District, and from a national standpoint in extending discount accommodations to member banks we adhere strictly to the provisions of Section Four of the Reserve Act which requires that we give due regard to the claims and demands of all member banks."

J. U. CALKINS
San Francisco Federal Reserve Bank

"We anticipate an increased demand for credit during the crop-moving season, but no acute situation if the improvement in transportation can be progressively maintained. Discrimination between essential and non-essential loans has generally been wisely applied by member banks in this district obviating the necessity for such discrimination by this bank."

DESTRUCTION OF GERMANY WILL INVOLVE ALL EUROPE

Paul D. Cravath, Banker, Urges Policy of Co-operation

"If the impressions I have formed are correct, the fate of Germany is in large measure in the hands of the allied nations and the United States. In the camp of her enemies there is now a struggle between two conflicting policies—one a policy of destruction, the other a policy of co-operation.

"The policy of destruction is that the breaking up of Germany should be encouraged and her restoration to industrial and commercial prosperity impeded. That is a perfectly logical policy, if we accept the premises on which it is based, namely, that a shattered and disorganized Germany will be less of a menace to the peace and happiness of the world than a united and prosperous Germany, and that the crimes for which the German people must bear their full share of responsibility justify the condemnation of future generations of Germans to a cruel fate simply for the greater assurance of the peace and happiness of other nations.

"Both these premises have already been rejected by public opinion in Great Britain and Italy. I believe they will be rejected by the enlightened public opinion in the United States and France. The policy of destruction is bound to bring interminable trouble to the rest of Europe. Putting first, as is just, the interests of France and her Allies, I believe that the best chance for the peace of the world lies in the policy of co-operation—in the Allies and the United States helping Germany to remain a united nation and to regain her prosperity."

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BUSINESS AS USUAL

POSSIBLE LABOR TROUBLES ARE ONLY DANGER AHEAD

President Hawes, American Bankers' Association, Is Hopeful in Other Respects

"Thanks to the Federal Reserve System, which has functioned effectively during the credit strain, there is at present no cause for apprehension. On the other hand there is cause for well reasoned optimism. The expansion of loans and rediscounts has been very largely checked with the least possible effect on business; the crop movement has been met; railroad credits are being restored and the prospects of a crisis seem remote.

"Naturally, the process of improvement has been slow because of the difficulties of liquidation, but general indications point to a lightening of the load, and a possible easement of credits around the first of the year. Returns from a large harvest should be a sustaining influence to a better situation. The wheat, corn and oat crops are valued at around $6,000,000,000. At least one-half of this value, barring the appearance of abnormal conditions, can be added to the country's lending power.

"Bountiful crops have a tendency to lower prices, reducing the amount of money required to carry warehouse supplies this winter; an improvement of our distribution facilities—the railroads—should release funds from the so-called 'frozen credits' source, so that the general outlook, while not roseate or bright, is at least more hopeful than at any time since deflation began. There is to be taken into consideration, however, that serious industrial interruption because of labor difficulties—walkouts this winter on the railroads and in the mines—would have a detrimental effect on the outlook."

RELEASE OF CREDITS POSSIBLE THROUGH USE OF ACCEPTANCES

Secretary R. H. Bean, American Acceptance Council, Endorses Instrument

"The American business man, whether he be producer, manufacturer, wholesaler or jobber, should realize that the old method of carrying his customers on open account, thereby financing transactions which constitute direct obligations of the buyer, is, in this time, when business efficiency is at a premium, illogical in the extreme, unprofitable and unsound.

"To allow perfectly good live commercial credit to remain tied up for 30, 60 and 90 days in illiquid open book accounts when such credits could and should be released for other service is a reflection on the business judgment of the American merchant. Wherever the trade acceptance is used certain cardinal principles should always be followed. It should be used only where goods are sold on time and for current live accounts. It should approximate the date of invoice and should run for no longer time than the usual open account terms. It should be free from conditional or involved agreements, interest charges, or discount, and represent plainly the amount of the invoice. It must never be used as a renewal of matured or unpaid acceptances, nor as a means to secure additional working capital.

"The acceptance is here to stay as part of the business and financial life of the country, whether or not the occasional banker or business man would have it so. It is only a question how soon it will be before its usefulness becomes so generally recognized that its friends will be legion and its critics few."

SURPLUS OF TONNAGE WILL FORCE DROP IN SHIPPING RATES

Captain Robert Dollar Tells of Idle Craft Abroad

"During the war there was more freight than ships. Therefore, prices shot upward. Now there are more ships than freight—and the result is that freights have fallen down. All of the experienced shipping men knew that this was coming. It isn't any surprise to us. However, freights will never come down to the old levels. On the Pacific when they reach the rock bottom level they will be fully twice as much as before the war, when we carried a ton across for $2.50. The increased costs of fuel, labor and other operating expenses make this imperative.

"The outlook is not at all promising. When I was at Cardiff, there were 640 ships tied up there waiting for cargoes. The same conditions obtain more or less in the principal ports of Europe. The trouble at Cardiff is that the miners are not producing coal, but this will pass within due time. However, it seems to me that there is a surplus of tonnage, and, if that is the case, there is bound to be a drop in freight rates. It is the old law of supply and demand."

BOLSHEVISM WILL NOT SPREAD TO OTHER COUNTRIES

James Heckscher Says Europeans Consider Movement Checked

Returning from an extended trip abroad, James Heckscher, vice-president of the Irving National Bank, said:

"It seems to be the general opinion in the countries I visited that Bolshevism will not spread to any great extent. While there may be sporadic outbreaks and disturbances of more or less seriousness in one place or another for a number of years, Europeans believe the menace will be confined more or less closely to the territory it now occupies."

Railroads
Bonds and Stocks

Chesapeake & Ohio Railway Co.

The Chief Factors to Which an Investment Rail Should Respond

A Study of Chesapeake & Ohio in Its Application to Valuation, Earning Power and Freedom From Recapture of Excess Income

By **CHARLES REMINGTON**

THERE are three chief factors to which any investment rail, in order to be an attractive purchase, should respond under the Transportation Act of 1920. They are:

(1) A reasonable assurance that an official valuation will approximately sustain the company's property accounts.

(2) The certainty that the road under competitive operating conditions will be able to earn at least 5½% on its investment, from a rate level that provides 5½% on the aggregate investment of all roads in the same region.

(3) A relationship between investment and operating income that will permit of an expansion of the latter without subjecting the company to a heavy recapture of excess income.

With respect to Chesapeake & Ohio's investment in road and equipment, no official figures are available either in the form of a tentative valuation or a preliminary engineering report, but there is a good deal of official evidence.

Most of the infirmities in railroad property accounts have existed for many years. Since 1907 these accounts have been kept in accordance with the rules of the Interstate Commerce Commission, so that there has been no opportunity in the last thirteen years to pad them. As a matter of fact, the practice, where it existed, of watering the accounts ceased a good many years prior to 1907.

Since 1900, Chesapeake & Ohio has been controlled by New York Central and Pennsylvania or its accounts have been kept as ordered by the Commission, and I have been reliably informed that, if there are any infirmities in the property accounts, they were set up prior to 1900.

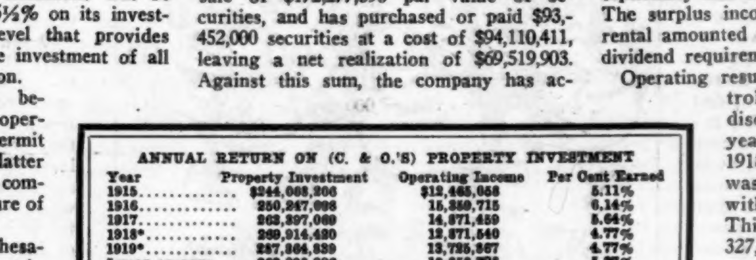
On June 30, 1900, the road and equipment account stood at $125,000,000; and as Chesapeake & Ohio was an important carrier twenty years ago, it is hardly possible that the early infirmities were serious. On the other hand, between 1900 and 1907 a good many expenditures on capital account did not so appear.

During the past eleven years the company has realized $163,630,314 from the sale of $172,277,390 par value of securities, and has purchased or paid $93,452,000 securities at a cost of $94,110,411, leaving a net realization of $69,519,903. Against this sum, the company has acquired in the same period, either directly or through the purchase of securities, property costing $114,385,765. The difference of $43,865,862 has been provided by surplus income.

ANNUAL RETURN ON (C. & O.'S) PROPERTY INVESTMENT

Year	Property Investment	Operating Income	Per Cent Earned
1915	$244,068,206	$12,465,058	5.11%
1916	250,247,098	15,359,715	6.14%
1917	262,397,060	14,871,459	5.64%
1918*	269,914,420	12,871,540	4.77%
1919*	287,864,839	13,726,867	4.77%
5-year average	263,098,326	13,858,728	5.27%

*Based on standard return and adjusted rental rather than on operations.



Earnings in Recent Years

Standard return, which was the average net operating income for the three years ended June 30, 1917, was equal to $7.85 a share, after excluding lap-over items. On account of the large investments made during the test period which would not be reflected in the operating income, the Railroad Administration increased the company's rental, amounting to $13,226,983 in 1918, to $14,588,579 in 1919, equal, after excluding lap-over items, to $10.05 a share on the stock. This is one of the few instances in which the Railroad Administration voluntarily took such action, and must be accepted as a tribute to the exceptionally fine condition of the property. The surplus income under the increased rental amounted to 2½ times the present dividend requirement.

Operating results during Federal control, while showing a wide discrepancy in the two years, averaged well. In 1918, net operating income was $14,588,578 compared with $8,066,280 in 1919. This is an average of $11,327,000 net operating income, compared with an average rental of $13,908,000, and the showing is incomparably better than was made by the roads as a whole.

A painstaking inquiry has failed to disclose that Chesapeake & Ohio materially benefited from or suffered through artificial diversion or arbitrary routing of traffic. The road was enabled to make an excellent showing in 1918 by means of heavy Government traffic, both freight and passenger, moved through the company's eastern terminal. This business ceased, of course, in 1919, and accounts for the widely divergent results in the two years of Federal operation.

Thus far in 1920, net operating income has been running at the annual rate of about $11,000,000, or approximately the average of 1918 and 1919. When it is considered that the roads as a whole report only a nominal operating income this

(Continued on page 717)

Pennsylvania Railroad

Actual Value of Pennsy's Leased Lines Greater Than That of Any Other System

Entrances to New York, Cleveland, Chicago and Other Important Centers Controlled Through These Leases—Stocks in Some of the Leased Lines Available at Attractive Figures

By EDWARD GILMAN

PENNSYLVANIA Railroad controls more valuable mileage through leases than any other company. While its leased mileage, on account of the great mileage it owns and controls through stock holdings, may not be relatively so important as that of Lackawanna, the actual value is not exceeded by the leases of any other system. Included in these holdings is the Pittsburgh, Fort Wayne & Chicago, owning a double track road between the first and last named cities. The 160 miles owned by the United New Jersey Railroad & Canal Company, connecting Trenton and Camden with Jersey City, are among the most valuable and profitable steam mileage in the world. The strategic position of this property, which gives the Pennsylvania Railroad access to its vast investment on Manhattan Island, is unsurpassed by any other railroad.

Most of the companies owning the lines leased to Pennsylvania have outstanding bonds and guaranteed stocks, although a few, of which Pittsburgh, Fort Wayne & Chicago is the most important, have no bonds. With respect to most of the companies, the total of outstanding securities represents only a fraction of the value of the properties, with the result that both stocks and bonds offer the very highest degree of security obtainable in corporation issues. Pennsylvania itself owns varying proportions of the securities. In the case of the Philadelphia, Baltimore & Washington, Pennsylvania's holdings represent so large a part of the total stock outstanding that the property is practically in the position of a controlled rather than a leased line.

Pennsylvania has a joint obligation in connection with other roads, such as its guaranty with Jersey Central of 7% on the stock of the New York & Long Branch Railroad, but such lines are not usually regarded as a part of the Pennsylvania System. The principal leases where stock is available to the investing public are contained in the table herewith.

PENNSYLVANIA RAILROAD'S LEASED LINES

Road	Miles
Camden & Burlington County	39
Cleveland & Pittsburgh	205
Columbus & Xenia	55
Delaware Railroad	245
Elmira & Williamsport	73
Erie & Pittsburgh	83
Little Miami	102
Lykens Valley R. R. & Coal	19
Northern Central	144
Philadelphia & Trenton	26
Pittsburgh, Fort Wayne & Chicago	468
Pittsburgh, Youngstown & Ashtabula	138
Shamokin Valley & Pottsville	40
United New Jersey R. R. & Canal	160
Total	1,812

The United New Jersey Railroad & Canal Company owns the main line of the Pennsylvania from Jersey City to Trenton and the line from South Amboy to Camden with a branch to Sea Girt. The company has outstanding $20,000,000 bonds, of which $5,669,000 are 3½s and the rest 4s, all issued under one mortgage and maturing at various dates from 1923 to 1951. Of the $21,240,400 10% guaranteed stock, Pennsylvania owns $1,350,000 and the rest is in the hands of investors.

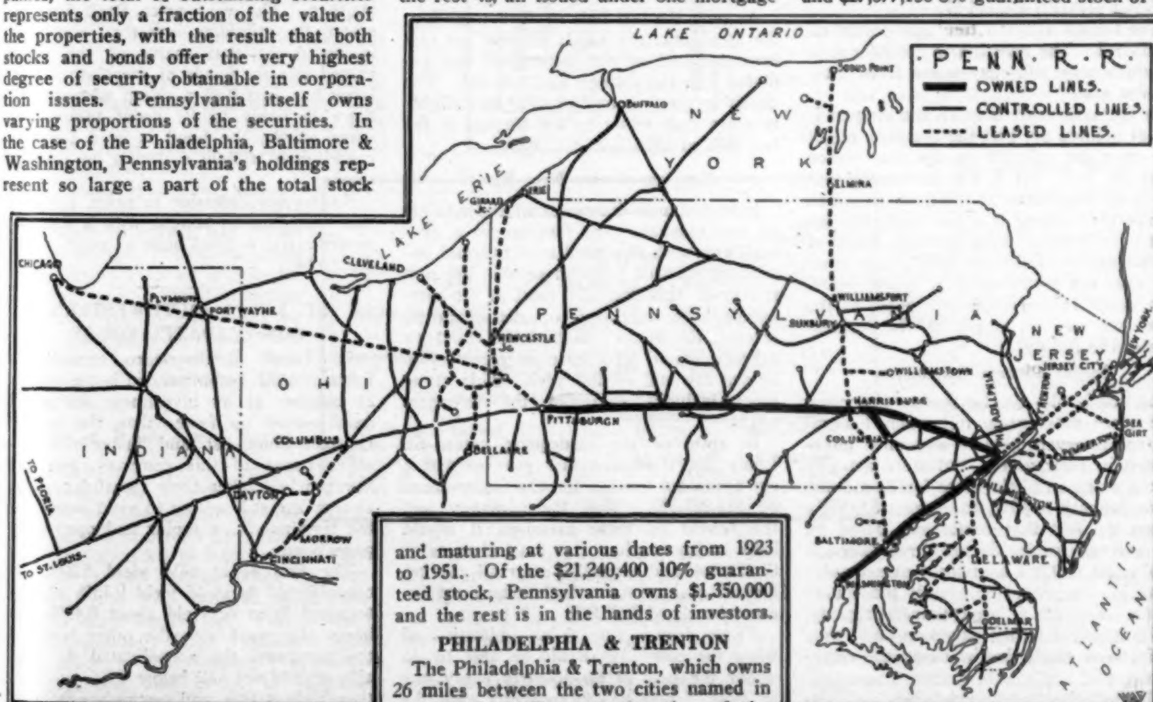
PHILADELPHIA & TRENTON

The Philadelphia & Trenton, which owns 26 miles between the two cities named in its title, is really a continuation of the United New Jersey, the two forming the main line of the Pennsylvania between Philadelphia and New York. The road has no bonds, but has $494,100 10% guaranteed stock in the hands of the public besides $765,000 ordinary stock owned by United New Jersey.

Several branches aggregating 39 miles are owned by the Camden & Burlington County, which has outstanding $350,000 4% bonds due in 1927 and $501,250 6% guaranteed stock of the par value of $25.

The Delaware Railroad owns 245 miles, consisting of a main line extending north and south through that State from Wilmington to Delmar and three branches to points on Chesapeake Bay. The company has outstanding $412,000 4½% bonds maturing in 1932 and $5,078,275 8% guaranteed stock of the par value of $25.

Pennsylvania owns in fee its main line from Philadelphia to Pittsburgh and practically owns in fee its main line from Philadelphia to Washington, but it operates under lease the exceedingly valuable mileage extending from Baltimore north to Sunbury, Pa., and owned by Northern Central. This property comprises 144 miles besides several leases. Northern Central has outstanding $1,500,000 first mortgage 6% perpetual loan due to the State of Maryland, $1,757,000 consolidated 4½s of 1925, $3,563,000 second 5s of 1926 and $27,077,150 8% guaranteed stock of the par value of $50. Of the stock, Pennsylvania owns $13,058,050.



The Lykens Valley Railroad & Coal Company owns a short line of 19 miles in

(*Continued on page 697*)

St. Louis-San Francisco Railway

'Frisco Income Bonds Nearing Investment Class

Seventeen-Point Advance in Market Price Reflects Road's Improving Results—Earnings for 1921 Estimated at $10 a Share

By DANA HYDE

THOSE who have followed the recommendations of THE MAGAZINE OF WALL STREET have a satisfactory profit in St. Louis-San Francisco Railway income 6s. It is likely that a good many of them, as is usual in such cases, are wondering whether they will realize a further profit or, instead, sacrifice part of their present profit by holding on, and an effort will be made herein to shed some light on this question.

As early as the issue of March 20, the stock of this company was placed third in preference among a list of fifteen low-priced rails, and, while no detailed discussion of the bonds was attempted, the very favorable prospects of the company were described. In the issue of May 15 a number of railroad income bonds were discussed, and 'Frisco adjustment 6s received the first recommendation as an investment and the income 6s the first recommendation as a speculation. In an article on the company and its various securities appearing in the issue of August 7, it was pointed out that the stocks, both preferred and common, were selling too high for the income bonds.

When the first article appeared the income 6s were selling around 40; when the second appeared they were selling around 43; when the third appeared, around 47½; at present, around 57.

The bonds will sell "ex" six points on October 1. The question to consider now is which way will they move from their present price?

In the articles of May 15 and August 7, it was pointed out that the company might not earn the full 6% in the year ended June 30, 1920, but it was contended that the bond was cheap at the price at which it was then selling if it paid only 5% for that year, because there was litle doubt of the company's ability to earn a safe margin over the requirement in future years. The doubt raised, while warranted at the time, has been set at rest by the declaration of the full 6%.

Recent Income Statements

Railroads like St. Louis-San Francisco that were moving up hill when Federal control intervened, were not only interrupted in their ascent, but were actually thrust down and held there for 32 months from January 1, 1918, to August 31, 1920. From the fact that rental was based on the average results during three years, it is obvious that the equivalent of net operating income would be grossly inadequate in the case of a progressive property, while it might be the salvation—and was, in fact—of roads that were on the retrograde.

On the other hand, such roads as 'Frisco will not pick up where they left off at the end of 1917, because they were actually moving up hill during Federal operation although they enjoyed directly none of the results of their good showings. In other words, given a reasonable rate level, it may be concluded that 'Frisco made unobserved progress during these 32 months, and will reflect it when the results of operations under the new tariffs are available.

The indenture covering the income bonds provides that the accounting year shall end June 30, whereas the reports to the Commerce Commission include the year ended December 31. In the year ended June 30, 1919, all of which was covered by rental, the company reported a surplus of only $31,348 after interest on the income bonds, although in the calendar year preceding a substantial surplus had been shown. This was due to an increase in fixed interest charges beginning July 1, 1918.

In the six months ended June 30, 1919, the company had a deficit of $162,857 after income bond interest, and in the second six months of the same calendar year a surplus of $10,805 after the same charge, or a deficit for the whole year of $152,052. The difference in the two halves of the year was due to the fact that the company in the second half took credit for $287,838 interest accrued from January 1, 1918, on the balance due from the Railroad Administration on open accounts.

As only the last half of 1919 went into the fiscal year for which interest has just been declared on the income 6s, this explains how the charge was covered. The deficit in the first half of 1919 was slightly more than offset by the surplus in the last half of 1918.

Earnings Under New Rates

It is assumed that most of the readers of this magazine are familiar in a general way with the results of railroad operations in 1919. For those who are not, it may be said that, had most of the companies been dependent on net operating income, the greater part of the country's mileage would have been in receivership before the end of the year. This statement includes some of the strongest roads.

In spite of the inadequate rates, St. Louis-San Francisco last year earned a net operating income for the Government of $14,267,109. Had the company had the benefit of these earnings, it would have had a surplus after fixed charges of $5,372,284, and a surplus after all charges including interest on both classes of income bonds of $933,869.

These figures furnish an indication of what the company should be able to do under the new rates. Nearly every one in Wall Street has figured out what the company will earn on its common stock in 1921 under the new wages and tariffs, and these estimates, as far as I have seen them, run all the way from $16.50 to $43 a share on the junior issue.

Certainly some of the estimates and probably all of them have failed to make sufficient allowances for traffic declines. A banker long associated with the property has furnished me with an estimate of $10 a share on the common, and it is certain that his estimate is more dependable, if less exhilarating.

After applying a discount of 50 per cent. to this conservative estimate to cover unforeseen contingencies, a surplus of $3,000,000 would remain after payment of the $2,111,520 interest on the income bonds.

The next interest year will end June 30, 1921, and this period will include two months' rental and the result of ten months' operations under the new rates.

This, I think, fairly indicates the future of the company's income bonds. After a few months' earnings statements under the new rates are available, the bond will gradually pass from the speculative to the investment class and the price will be quite certain to mark the changed nature of the security.

On the subject of price, however, a few words of warning should be issued. About $10,500,000 of these bonds, or nearly one-third of the issue, have just been distributed by a syndicate, but distribution is one thing and digestion quite another. The very price itself has operated to intimidate investors, and there is no doubt that many of the bonds passed into the hands of speculators. The issue has just had a sharp advance and there is likely to be profit taking. In other words, the bond is in a technical condition to follow a decline in railroad stocks.

But on any recession in price, I believe this bond can be bought with a sense of security and a good hope of profit.—Vol. 26, p. 14.

ST. LOUIS SOUTHWESTERN CONSOLIDATED FOURS

St. Louis Southwestern consolidated fours of 1932, recommended in the August 21 number as an investment for profit, have moved up faster than the general railroad bond list and faster than the other issues of this company, but they have not yet taken their rightful position, as they are still selling to yield more than the terminal 5s, a junior and open-mortgage bond.

The first 4s at 64½ yield 6.20%, the consolidated 4s at 63 yield 9 13% and the terminal 5s at 62 yield about 8.45%. To be in alignment with the other bonds of the company, the consolidated 4s probably should not sell below 69½, at which they yield 8.00%, and certainly not below 68, at which they yield 8.25%.

Therefore, as long as there is no decline in the general list, the consolidated 4s can be purchased for profit around present levels and for investment up to 68.

Industrials

Bonds and Stocks

Bethlehem Steel Corporation

Bethlehem's Bonds Better Than Its Stocks

Market Outlook Favors Switch Into Issues Less Susceptible to Trade Fluctuations—Purchase Money 6's Seem Particularly Attractive

By W. M. MORTON

IN those exciting times not long ago when speculative enthusiasm, buoyed up by rumors of staggering profits, kept the list of industrial stocks boiling, it was hard for the bond dealer to attract much attention to his wares. A single day's gains in a lively stock might easily exceed the whole year's return on a high grade railroad or industrial bond, then selling to yield about 4¾% to 5¼%.

The events of the present year, however, have been such as to call for a very radical revision of the security buyer's outlook. To cite a few examples, American Can, American Hide & Leather, American Cotton Oil, California Petroleum, and Central Leather sold at prices in August equal to less than half of their respective high prices earlier in the year.

Perhaps the decline in stocks has run its course, and even at this writing they may be bargains; but with money rates what they are any extended bull market seems unlikely at this time.

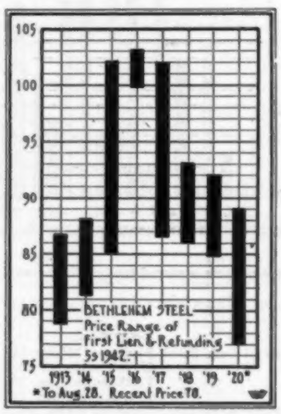
What is poison for stocks is meat for bonds, however, the main reason for discriminating in favor of the latter being to secure a high, fixed rate of return on a class of securities whose position is little affected by the shifting of profits and of trade fundamentals.

As a specific instance, the out-and-out investor of today will find more to attract him in the bonds of the Bethlehem Steel Corporation than he will in the common stock, notwithstanding that the steel trade has thus far been practically immune from the disturbances which have occurred in several other basic industries.

Status of Bond Issues Varies

While it is a matter of general knowledge that Bethlehem enormously enriched itself in the war period, and that its funded debt is safeguarded by huge assets and earning power, one cannot define the status of each bond with quite as much exactness as might be desired. This is due to the exceptionally large expansion which took place in the company's productive capacity, and also in its capitalization. United States Steel, on the other hand, expanded only to such extent as could be provided out of surplus profits, so that it will go through the next few years, presumably, with about the same capitalization that it had before the war. The figures contained in Table I will bring out more clearly the contrast between the trend of the two companies' affairs.

Bethlehem's credit was at a low ebb in 1914, but its debt was even lighter than United States Steel's in proportion to the business done. In 1919, which showed a big drop from 1918, Bethlehem made quite a gain upon its larger competitor in sales, but the financing done to secure this much advanced capacity had resulted in interest charges about two and one-half times as heavy in relation to sales as those of United States Steel. It need not be inferred, however, that they are excessive, for United States Steel's charges are decidedly light, relatively.



*To Aug. 28. Recent Price 78.

TABLE I—BETHLEHEM vs. U. S. STEEL.

	Bethlehem Steel	U. S. Steel	Ratio Bethlehem to U. S.
Gross Sales, 1914	$47,500,000	$558,415,000	8.5%
" " 1919	281,642,000	1,448,558,000	19.5%
Bonded Debt, 1914	$36,207,700	$627,045,112	5.8%
" " 1919	119,514,105	568,727,932	21.0%
Interest Charges, 1914	$2,212,374	$32,321,989	6.8%
" " 1919	9,518,206	29,210,888	32.6%

TABLE II—ASSETS BEHIND DEBTS.

	Bethlehem Steel	U. S. Steel
Net Working Capital	$88,632,254	$515,224,126
Ratio to Debt	74.2%	90.6%
Property Account	205,212,150	1,572,661,547
Ratio to Debt	171.7%	276.5%
Total Ratio to Debt	245.9%	367.1%

Table II shows the principal assets behind the respective debts in 1919.

These figures also are more favorable to United States Steel, but as Bethlehem had net current assets alone equal to about three-fourths of the bonded debt, there can be no question as to the adequacy of the assets behind the bonds. Of the total debt, $30,000,000 were represented by the secured 7% notes due in 1922 and 1923. If these junior, short time obligations be deducted from the total debt, the balance is less than $90,000,000, with interest charges of about $4,600,000. The following table of earnings available for interest charges after allowance for depreciation and depletion shows the thoroughly assured position of the senior debt.

Available for Interest Charges.

1914	..$7,802,395	1917	..$36,067,719
1915	..20,105,408	1918	.. 25,678,403
1916	..47,366,524	1919	.. 24,875,066

Sinking funds operating on four of the larger issues retired $3,735,000 bonds in 1919, which is a factor steadily improving the equity of the remainder. Additional funds from profits are reinvested in the property, moreover, so that the surplus and reserves account has expanded at an average rate of $10,000,000 annually since 1914. Though it may not be possible to continue to roll up the surplus at this rate, it is hardly likely that its growth will cease except possibly in an occasional off-year.

The Different Issues

There are about twenty different bonds in all, of which the six most important and active issues, aggregating over two-thirds of the total mortgage debt, are briefly described in the following paragraph:

By far the largest of the company's bonds is the purchase money and improvement 5% mortgage of 1936 quoted about 79 to yield 7.25%. It was created in 1916 and about $23,000,000 of an authorized issue of $60,000,000 was sold, the balance being issuable under conservative restrictions to acquire additional property and for improvements or extensions. The prior liens are five in number and aggregate $14,177,000. Three of them have sinking funds which retired $552,000 last year and there is also a 2½% sinking fund on these Purchase Money 5s. The security consists of the property of the Penn.-Mary. Steel Co. which was created by uniting the Pennsylvania Steel Co. and the Maryland Steel Co. with steel plants at Steelton and Lebanon and the extensive steel and shipbuilding plants at Sparrows

Point, Maryland. A great deal of money has been put into the Sparrows Point plant after the issuance of these bonds. They are further secured by stocks of subsidiaries, the principal of which are the Spanish-American Iron Co. owning ore lands in Cuba and the Penn.-Mary Coal Co. owning extensive bituminous coal measures in Pennsylvania and West Virginia. While these bonds do not cover the old Bethlehem Steel property, they embrace coal, ore, steel, and shipbuilding properties forming a very important part of the present corporation's productive facilities.

Another issue of recent date is the Penn-Mary. Steel Co. first 5% mortgage of 1937, put out in 1917 to the amount of $6,600,000, and used to acquire the property of the American Iron & Steel Manufacturing Co. which had plants at Lebanon and Reading. The 2½% sinking fund had retired $194,500 by the end of 1919. At about 85 yielding 6.50%, the bonds are scarcely as attractive as some of the larger issues which have a broader market.

One of the oldest, best, and the longest to maturity of the bonds is the Bethlehem Steel Co. purchase money 6% mortgage of 1998, outstanding to the amount of $7,500,000, having no sinking fund and quoted at about par. It covers by first lien the property owned at the date of the mortgage (1901), consisting of 170 acres at South Bethlehem, or the original part of what is still to-day the corporation's principal plant, covering about 1,500 acres. The bonds are, of course, exceptionally well secured. In recent years they have sold as high as 122.

Plant Extension Issues

In order to provide funds for the expansion of this plant, the company sold in 1906, $11,000,000 Bethlehem Steel Co. first extension 5s, due 1926. They are secured by a first lien on the property acquired since 1901, and by a second lien, subject to the purchase money 6s, on the balance. While the value and capacity of the plant have been enormously enhanced, the sinking fund has reduced the amount of bonds by over $4,000,000. But three years ago these bonds sold at 104. At 87, the yield to maturity is about 7.75%. It would be difficult to find a more thoroughly desirable short time investment.

Again in 1912, plant expansion called for further financing, and as the two existing bonds had been issued to practically the entire authorized amount, it was necessary to create a third mortgage, the Bethlehem Steel Co. first lien and refunding 5% of 1942, of which $18,030,000 in all have been sold. These bonds are guaranteed by the Bethlehem Steel Corporation and secured by a lien on practically the entire property of the company and on the capital stock of the Juragua Iron Co. owning iron ore deposits in Cuba. A sinking fund of 2½% was also established for these bonds. It has retired $5,270,500 of them thus far. At 78, the yield is 6.65%. While, technically, the refunding 5s are inferior to the two prior liens, there is no doubt but what they are safe enough with their equity of the secured notes and over $100,000,000 of dividend-paying stocks, and with the steady inroads made upon both them and the extension 5s by the sinking funds.

Eastern Coke Co. first 5s of 1931, guaranteed by both Bethlehem Steel Co. and Corporation, are a very good subsidiary issue. They were put out in 1917 to obtain funds to acquire the property of the Lehigh Coke Co. at South Bethlehem contiguous to the steel plant, comprising 114 acres of land having thereon 424 Koppers by-product coke ovens and 150 Didier by-product ovens, benzol plant, etc. The replacement value has been estimated at $11,200,000. There were originally $7,000,000 of the bonds, but the annual sinking fund of $500,000 has reduced the amount to about $5,200,000 at the present time. It will retire the entire issue at not exceeding 102½ by maturity. At about 90, yielding 6.25%, there is a very limited market.

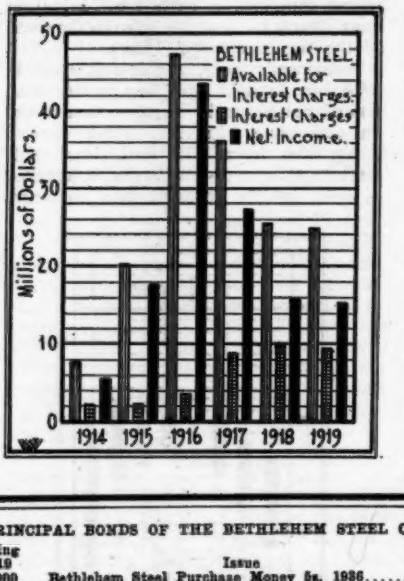


TABLE III.—PRINCIPAL BONDS OF THE BETHLEHEM STEEL CORPORATION.

Original Issue	Outstanding Dec. 1919	Issue	Current Quotation	Yield
$23,228,000	$22,277,000	Bethlehem Steel Purchase Money 5s, 1936	79	7.25%
11,000,000	6,936,000	" " First Extension 5s, 1926	87	7.75%
18,030,000	12,759,500	" " First & Ref. 5s, 1942	78	6.05%
7,500,000	7,500,000	" " Purchase Money 6s, 1998	100	6.00%
6,600,000	6,465,500	Penn-Mary Steel First 5s, 1937	85	6.50%
7,000,000	5,729,000	Eastern Coke Co. First 5s, 1931	90	6.25%

Future Debt Reduction

In closing, it may be noted that Bethlehem's debt will be greatly altered in the next few years. By 1932, thirteen issues amounting to about $60,000,000 (including the greater parts of two serial issues) will have been paid off and sinking fund operations will have cut down some of the other bonds. Further financing is provided for by a big blanket mortgage, the consolidated dated 1918, due 1948. In addition to their direct lien they are secured by deposit of $24,000,000 first and Refunding 5s and other securities. Practically all other bonds issued under the consolidated mortgage are pledged to secure the 7% notes maturing 1922 and 1923.—vol. 26, p. 102.

AMAZING GROWTH IN U. S. SUGAR INDUSTRY

Receipts from Abroad During 1920 Amounted to Almost 9,500,000,000 Lbs.

Figures compiled by the Department of Commerce show that new records were made in the sugar transactions of the United States with other countries during the fiscal year ended June 30, 1920, receipts from foreign countries and noncontiguous American territories amounting to 9,485,727,637 pounds and shipments thereto aggregating 1,458,680,026 pounds. Furthermore, although the uneven distribution of available supplies of sugar in the United States (due in part to the transportation situation) led to high retail prices in many localities, it seemingly did not restrict the total consumption, for the average per capita consumption in continental United States for the fiscal year just ended likewise established a new record—90.6 pounds.

The total importation in the fiscal year 1920 comprised cargoes from 40 foreign countries, in addition to receipts from the Virgin Islands, the Philippines, Hawaii, and Porto Rico. As in the fiscal year 1919, when the Sugar Equalization Board stated that large quantities of sugar were bought in Cuba in 1918 by British interests, brought into the United States for refining, and then shipped abroad, similar transactions enter into the statistics for 1920. These exports and imports, however, practically counterbalance.

Increase in Latin American Trade

The total imports of cane sugar into the United States, exclusive of receipts from Hawaii, Porto Rico, and the Philippines, amounted to 7,532,310,606 pounds in the fiscal year 1920, against 5,621,031,787 in 1919 and 4,944,815,410 pounds in 1914; or an increase of 34 per cent over 1919 and of 52 per cent over the pre-war year 1914.

Cuba was the chief source of supply in 1920. The imports from that country of 6,905,709,612 pounds broke the former high record of 5,488,711,032 pounds in 1919. Other large increases in the number of pounds of sugar imported in 1920 over the previous year are: Dominion Republic, from 4,390,594 in 1919 to 146,638,845 in 1920; Central America, from 11,319,415 to 66,164,091; Peru, from 10,377,825 to 75,710,043; and other South American countries, from 20,849,450 to 133,158,013. The gain in the last mentioned instance is largely due to receipts of 100,518,104 pounds from Brazil. Mexico contributed 62,670,943 pounds in 1920.

Other notable imports of sugar during the fiscal year just ended include 24,871,325 pounds from Canada, 27,481,913 pounds from Hongkong, 9,124,429 pounds from British East Africa, and 35,722,787 pounds from European countries. The cane sugar from Belgium, Netherlands, and England includes some items of foreign sugar refined in the United States, exported with benefit of drawback, and reimported.

Imports of Beet Sugar

A new development in the sugar trade is the recent importation of beet sugar, 14,270,114 pounds, valued at $2,435,110, reaching the United States from foreign countries since January, 1920.

Securities We Would Not Recommend and Why

Suggestions from Members of Our Staff as to Issues They Would Prefer to Avoid Under Present Conditions

NOTE—The brief comments included in this department represent frank personal opinions, which are impartial but of course not infallible. If any misstatements or exaggerations are noted by officials or others well informed as to the various companies mentioned, we shall be glad to have them brought to our attention so that further investigation may be made. The fact that a security is included in the department does not necessarily reflect upon the standing of the company or its managers. It may be a security of high grade, but, in the opinion of the writer, selling too high, or likely to be temporarily affected by unfavorable conditions.

Casiano Petroleum Co. and the **Film Lore Productions Co., Inc.**—Publicity for the stock offerings of these two companies is provided by the "International Press News Service," an organization which may have the dissemination of news as its principal object. Descriptive matter is contained in bulletins C-711 and F-711, respectively.

The Casiano Co. is located, according to the bulletin, in Vera Cruz, where it "owns, has under control and under option" various properties. It is stated that "recent offers by large operating companies have been made to develop the land on a fifty-fifty basis." A limited amount of stock is offered for sale at $2 a share.

After reading the Casiano bulletin carefully, I find one outstanding reason for avoiding the stock offer, and that is the apparent fact that the company's properties are undeveloped. There are too many producing oil companies of high standing whose shares are now either on, or very near to the bargain counter, to warrant my taking chances with a non-producer.

Secondarily, I am unfavorably impressed by a remark in the bulletin to the effect that "Mr. Ordonez [National Geologist of Mexico] states . . . it is possible that a gusher of 50,000 barrels or more a day will be brought in." I submit it is quite as possible that such a gusher will *not* be brought in; and I cannot therefore consider this a sound reason for purchasing the shares.

The management of the Film-Lore Productions Co., Inc., has probably compiled a balance sheet but the "International Press" bulletin regarding the company does not publish it. Neither does it mention the price asked for the company's shares, a limited number of which, both preferred and common, are said to be available. The men in the organization are described as "of real artistic instincts and practical knowledge in directing the filming of pictures," but apparently their eulogist was stumped when it came to the problem of proving them, by such things as past accomplishments, etc., able to make a success in one of the most competitive and crowded industries in the world.—R. R.

United Home Builders of America, Dallas, Texas.—In my opinion this company is not conducted on a plan that would warrant joining the organization and paying the fee and monthly payments. Its prospectus is very attractive but appears fundamentally unsound. Its tenure of existence and ability to fulfill its glittering promises would appear to depend on its success in securing new members.

The company promises, or rather, guarantees in one paragraph of the prospectus to give members who pay an initiation fee of $10 and $10 per month for 15 months a bonus of $150. That is, any member paying in $150, is guaranteed $300 if he so elects, in cash, at the end of 15 months. Then this is qualified with the statement that the 15 months' limit is estimated. It might be at the end of 15 months or it might not. It would depend on whether the member's serial number were "reached." When you join the Builders, your application is filed with a number and the time of filing down to the "minute" is recorded. Then you pay in your $10 a month and wait until your number is "reached."

That time depends, actually, after a proper interval, upon the condition of the company's cash fund and the demands upon it. The taking out of a certificate for $1,000 entitles the holder when his number is "reached" to borrow $1,000 to buy a home, or build one or pay off a mortgage. At the end of 15 months, more or less, the member can say "I don't want the $1,000 loan." The company says, "The pleasure is ours. We did not want you to take it. Here is $300 cash. You have made 100% on your investment." Then, as far as I can see, the company takes this $1,000 and, turning to the long line of "urgent" waiting borrowers who are not members, sells the loan or the "rights" for a bonus of $200, and everybondy is happy. The member is happy because he has his $150 profit.

The company is happy because it has made $50 on the deal and the urgent borrower is happy because he has borrowed $1,000 quick with which to build his home and only has to pay 3% per annum interest on unpaid balances, paying off the loan at the rate of $10 per month.

The security for the loan is real estate. But as the company loans out its money on a basis of $85 on $100, it places itself in an insecure position, inasmuch as a loan based on real estate is fundamentally unsound and any company making this the rule rather than the exception is liable to be unsuccessful.

The theme running through the prospectus is an exhortation to join so that a home may be purchased or built. But the emphasis is put on the 100% bonus opportunity and this is so constantly referred to that, viewed from a neutral standpoint, the conclusion must be reached that the company prefers to have members join solely for the 100% gain. Personally I do not believe there is any company of this character that can pay 100% interest on funds invested with it for 15 months and live for any length of time, especially when it loans its surplus funds out at the rate of 3% per annum and loans the money out to the extent of $85 on $100.

The company states that the law of averages guarantees the perpetuity of the business. The law of averages is unfailing also in its application to companies promising 100% to investors.

The officers of the company may be well meaning and believe in the system, but I believe that their plan is wrong fundamentally and, being unsound, cannot survive. The officers are bonded as to their honesty in handling the funds of the company but that bond does not guarantee certificate-holders 100% profit in 15 months.—V. D.

Silver Mountain Mining Company.—This company's stock has been offered to the public at 10 cents a share. The offer was made by a certain company in Denver, Colorado, by means of a circular letter and an order blank sent through the mails. The **circular letter** issued under date of July 15, 1920, says: "If you want a really big opportunity at a low price, you will get it in Silver Mountain Mines Company stock at 10 cents a share."

The circular goes on to say, "**We know** this of our own knowledge, **we have proved** it with our own money, and we are going to back it up with our own personal efforts. When **we organized** the Silver Mountain Mining Company, and took over the Black Jack mine, **we knew** there was still ore showing in a number of places in the old workings" and "it took $10,000 of our **own money** to unwater the old workings, sink the shaft an additional 60 ft., and start drifts in both directions from the bottom of the shaft. This work was a **complete success in proving** that the ore does continue with depth."

However, the **order blank** says, "N. B.—In the sale of stocks, unless otherwise stated, we **act only as brokers** and not as promoters or fiscal agents. Information or opinion regarding any company is derived from what we believe to be reliable, and usually official, sources, but is **not guaranteed by us**." In other words the company does not guarantee what it knows, and what it has proved!

I would suggest that all who chance to read the literature above mentioned should not treat the matter too seriously for the reasons already suggested, and also because the circular does not answer any of the following questions: 1. Where is the mine? 2. What kind of a mine is it? 3. Where is the company incorporated? 4. What is the capitalization? 5. How much stock is to be offered?—C. S. H.

Armour Split-Up Will Open Attractive Investment Opportunities

Conservative Policy Adhered to by Packing Giant Since Organization Assures Values Behind Units It Will Relinquish

By **A. W. MANSFIELD**

THE history of Armour & Co. is the history of the packing industry in the United States. Starting from a very small concern, this organization has grown to be one of the most imposing in the entire world. In its own field it commands a pre-eminent position.

A conservative policy, adhered to over many years, has made the company the dominating factor in packing. It has expanded steadily to a point where it includes, as well as its huge Chicago organization, many large branch houses at central points such as Kansas City, St. Louis, Minneapolis and Dallas, Texas. In addition, it maintains agencies and branches in many other cities for the sale and distribution of its products. Armour & Co. is an international affair and controls plants in Canada, England and the Argentine Republic.

Not Restricted to Packing Industry

But it is not the packing industry alone which demands the complete attention of the company. The extension of the business has led to activity in many other lines. Among these are the distribution of foodstuffs and their transportation. It owns such lines as the Armour Refrigerator, Fruit Growers' Express, Tropical Refrigerator Express and the Armour Tank Line.

In addition to its general activities in the packing industry, the company has large elevator interests in Chicago and is a leading factor in the grain business. A list of its products is too long to mention here but among many others it produces glue, soap, and fertilizers.

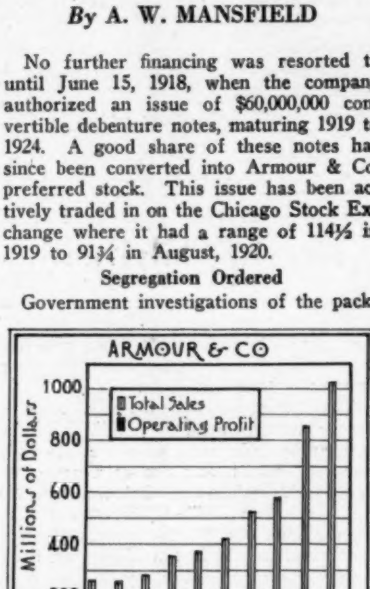
The company's policy has always been a conservative one. It has plowed back its immense earnings into property value year after year. This provided for a continuous upbuilding of resources which permitted the company to extend its activities into many industries and in many parts of the world.

Up to 1909, ownership and control of Armour & Co. was vested in the Armour family, but in June of that year occurred the first public financing. This was in the form of a $50,000,000 flotation in 4½% bonds. So high was the reputation of the company, not only with the banking interests but with the public, that the issue was vastly over-subscribed. Previous to the time this issue was floated, there was no necessity of publishing earnings. With the entry of the public into its affairs, however, the company commenced to issue regular reports concerning its financial condition.

No further financing was resorted to until June 15, 1918, when the company authorized an issue of $60,000,000 convertible debenture notes, maturing 1919 to 1924. A good share of these notes has since been converted into Armour & Co. preferred stock. This issue has been actively traded in on the Chicago Stock Exchange where it had a range of 114½ in 1919 to 91¾ in August, 1920.

Segregation Ordered

Government investigations of the packing industry resulted in the decision of the Armour Co. to segregate its properties. Segregation is now on the way. The first unit to be separated from the parent company was Armour Leather. Shareholders of the preferred stock mentioned above were given the privilege of subscribing to the new stock on the basis of one share of Armour Leather 7% accumulated preferred, and seven shares of common, par $15, for each share of the old preferred stock held, for $200. After that the public was offered the privilege of subscribing to the offering on the basis of one share accumulated preferred, par $100, and 7 shares common stock, par $15, for $200. This left the Armour Leather Company a capitalization in stock of $10,000,000 preferred and $15,000,000 common.



TEN-YEAR ANALYSIS OF ARMOUR INCOME ACCOUNT

Year	Total Sales	Oper. Profits	Other Income	Tl. Income
1910	$250,000,000	$5,286,622	$1,881,098	$7,167,720
1911	250,000,000	2,880,659	1,027,476	3,908,135
1912	285,000,000	5,573,513	1,474,433	7,047,946
1913	350,000,000	5,255,185	2,119,311	7,374,496
1914	375,000,000	6,297,232	2,558,976	8,856,208
1915	425,000,000	9,951,579	2,394,722	12,346,301
1916	525,000,000	21,909,783	......	21,909,783
1917	575,000,000	23,533,985	......	23,533,985
1918	861,000,000	18,378,387	......	18,738,387
1919	1,038,000,000	19,068,739	......	19,068,739

Other steps have been taken in the disposal of the Armour & Co. interests. Among them has been the sale of the Fruit Growers' Express, Inc., to a new organization formed by the principal railroads east of the Mississippi under the name of the Fruit Growers' Express Co. The change in ownership and management took place May 1, 1920. *The company's executives are working on other segregation plans and will soon be able to make announcements relative to the disposal of some of its other properties.*

New Financing

On July 8, 1920, announcement was made of the company's new financing and recapitalization plan. This consists of an increase in the capital stock from $210,000,000 (of which there is $128,390,600 outstanding) to $400,000,000 of which there will be $252,350,600 immediately outstanding. In addition it was announced that there would be a sale of $60,000,000 in 10-year 7% convertible notes. The new capital stock will then be as follows:

Class	Par	Authorized	To Be Outstanding
7% cum. pfd.	$100	$100,000,000	$52,350,600
Common "A"	25	150,000,000	50,000,000
Common "B"	25	150,000,000	150,000,000

Stock reserved: $7,649,400 preferred for conversion of $7,649,400 6% debentures of 1918; $60,000,000 "A" common for conversion of $60,000,000 of new notes.

The class "A" common stock will have precedence as to cash dividends up to 8% over the class "B" stock. After 8% has been paid on the "B" stock in any year both classes of stock will share alike. The class "A" stock will be entitled to all rights accruing to any share of the common stock outstanding.

Holders of the old common stock will be asked to exchange their present $100 par value stock for two shares of class "A" and 6 shares of class "B", having an aggregate value of $200. This virtually amounts to a 100% stock dividend to holders of the present common stock.

The new financing will provide the company with $230,000,000 additional capital. With this large amount on hand, the company will be in an excellent position to reduce its floating debt and thus place itself in an even stronger financial position than obtains at present.

Income Record and Outlook

An analysis of the income account of Armour & Co. for the past ten years, as shown by the accompanying table, will show why its issues enjoy such a high investment standing. Since 1910 total sales have increased by 300%, while operating profits have increased in about the same proportion. Total income has increased from $7,167,720 in 1912, to $19,068,739 in 1919.

This steady increase in net income has been effected at the same time that the ratio of operating profits to total sales has recently declined, representing the very high efficiency of the company's organization. When one considers the very small percentage of operating profits to total sales, which in 1919 was as low as 1.84%, it is difficult to see how the Government's charge of present profiteering brought against the company can be justified. At any rate, the steady increase of its income account during the past decade gives a clear idea as to the growth of this company and indicates the reason why it is pre-eminent in its field.

In the final analysis of the company's affairs the usual fundamental principles of investment can well be applied to its issues. They represent a solidly established industry, an organization thoroughly experienced and highly developed, capitalization that is founded on strong assets, and a banking and credit position of the highest character.

When the segregation of the company's properties has been finally effected and when the new capital stock issues are finally put forth, the public will have an opportunity to invest in securities that receive high commendation wherever their name is heard. Subscribers to these issues, in my opinion, will be given splendid opportunities for income return as well as opportunities for speculative enhancement later on.—vol. 24, p. 28.

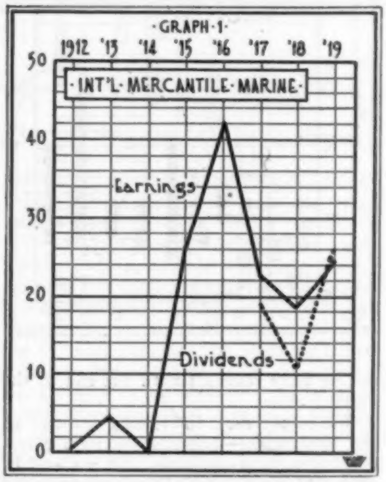
International Mercantile Marine

Depression in the Shipping Industry

Operations from This Side Hampered by Adverse Exchange Rates and Reduced Coal Movement—Marine's Future Obscure

By **E. D. KING**

A LITTLE over a year ago, International Mercantile Marine shares were booming along at an impressive rate. It was a foregone conclusion then that all arrearages on the preferred stock would be paid off in one lump sum and that the common stock would soon be put on the list of dividend-payers. But man proposes and God disposes, as usual; and Marine preferred, for all the ebullient prophecies, still has a large percentage in accrued dividends coming to it, while the common stock seems as far from dividends as ever. In the meantime, the shares have shown a marked shrinkage and pessimism has deplaced the once prevailing optimism.



Intimately associated with the drop in the market value of the Marine shares is the fact that ocean rates have gradually declined. Since their high of 1919, average rates have been cut nearly in half. Strictly speaking, this does not indicate the real situation, as in some cases rates have dropped off more than fifty per cent. However, the average decline is extensive enough to explain the pessimism now abounding with regard to the shipping situation.

TABLE I.—INTERNATIONAL MERCANTILE MARINE STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31.

	1919	1918	1917
Gross earnings after providing for British Excess Profits Duty	$58,875,494	$30,151,368	$41,604,208
Miscellaneous earnings	8,751,474	4,516,984	9,541,545
	$67,626,968	$34,668,352	$51,145,753
Operating and general expenses, taxes and miscellaneous interest	47,139,691	18,938,053	32,871,451
	$20,487,277	$15,730,299	$18,274,302
Fixed charges	2,737,345	2,789,762	2,798,316
Profit for the year, before providing for depreciation on steamships	17,749,932	12,940,537	15,475,986

At the same time that freight rates have declined, operating expenses have continued to mount, thus cutting into the margin of profit both ways. Labor troubles have also proven very costly. The longshoremen's strike was settled with great difficulty and at much expense, and the last of this situation has not yet been seen.

Cost of fuel has increased, and in some cases actual inability to secure this necessity has caused delay in getting cargoes off, thereby added to the expense account of the shipping companies.

Decline in Freight Rates

Of all the influences governing the shipping situation the decline in freight rates is the most serious. Two factors, in the main, are responsible for the decline. In the first place, the downward march of foreign exchange rates has had a limiting influence on exports shipped abroad for European consumption. At the same time neutral European countries and those in South America have not provided sufficient buying power to offset the loss of trade with such nations as England, France and Italy, not to speak of nations of lesser importance.

The second factor influencing the downward course of freight rates—the loss of the export movement in bituminous coal—was of almost equal importance. It particularly affected companies like International Mercantile Marine, as it threw into competition with such companies tramp steamers which otherwise would have continued in their coal-carrying capacity. There was thus an increasing number of ships available for a smaller amount of business. The result was to be expected. Rates took a tumble from which they have not yet recovered.

For a time during the few past months it was hoped that sufficient improvement would occur in the domestic coal situation to permit the exportation of large amounts of that commodity. But this has not been the case. Ships coming in on their west-bound trips are now compelled to return in ballast in a number of instances—the very ships which would have otherwise returned on their east-bound trips laden with coal. Thus there is competition for east-bound as well as west-bound traffic to the detriment of companies like International Mercantile Marine.

This is the situation which obtains at present. It is obvious that a stream of coal eastward to Europe would result in the stabilization of trans-oceanic rates. In time this might result in a fair-sized re-

covery from present figures. But the coal situation is still complicated and it will probably take time to rectify it.

In other words, International Mercantile Marine and similar organizations must resign themselves to facing increased competition in the immediate future at the same time that the amount of traffic to be carried declines.

Influence of Exchange Rates

Aside from the coal situation, the trend of foreign exchange will have the great est effect upon the shipping industry. It is true that Europe is in need of our goods and that she will have to pay for what she must have in order to live. But if exchange rates are to remain for any length of time at the present prohibitive levels, Europe is bound to continue her discriminatory policy so far as American products are concerned. She will economize so far as possible. This means less freight to carry to Europe and consequently reduced earnings for shipping companies.

There is another side to the story, however, and that is concerned with the increase of imports from abroad. Europe is slowly producing more, and although her exports to us are not sufficient to make up the loss of our own export trade caused by the drop in exchange, still it is a factor which is bound to exert a more and more favorable influence.

There is another factor which works to the advantage of Mercantile Marine. That is the fact that the company does not depend upon freight rates as its sole source of revenue, but that it does a very large passenger carrying business. The volume of this sort of business has been extraordinarily large all during the present year. Earnings from this source have increased and are gaining in importance. This will prove a definite offset to the loss incurred by the drop in its east-bound business.

Thus there are factors favorable as well as unfavorable operating with regard to International Mercantile Marine. Weighing them pro and con, however, the unfavorable factors have a shade the better of the argument, and the outlook in general for the company cannot be conceded to be good. A period of depression has already set in. There are many complications abroad which are reacting unfavorably and which will continue to react unfavorably on the shipping industry, at least so far as the immediate future is concerned. Foreign exchange at present shows no signs of early recovery and, until it does so, shipping companies will have to resign themselves to a period of smaller earnings.

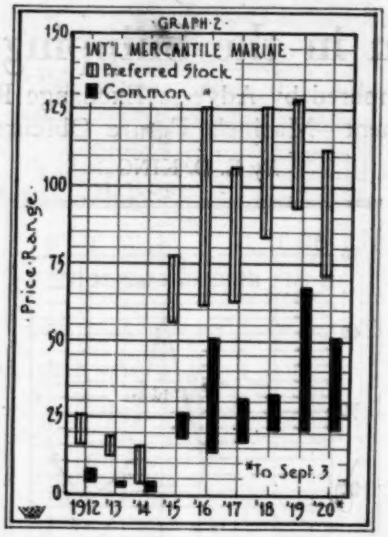
It will be some time, however, before the actual effect of the present situation is revealed in the 1920 earnings report of International Mercantile Marine. In the meantime it is of importance to examine the company's record of last year, and its general financial condition.

1919 Earnings

In its 1919 report, International Mercantile Marine showed a net profit after taxes and fixed charges amounting to $17,749,932. This compares with $12,940,537 earned in the preceding year. Deducting $4,583,818 for depreciation of steamships, the surplus was $13,166,144, equivalent to $25.45 a share on the $51,725,500 preferred stock. In 1918, the amount earned on the preferred stock was $18.63 a share. Thus an improvement of 35% was shown. However, the figures do not tell the whole story inasmuch as earnings during the latter part of the year were distinctly on the down grade. In other words, prosperity for International Mercantile Marine was not cumulative during 1919, but reached its peak during mid-summer. Since that time earnings have slumped, though this will

TABLE II.—WORKING CAPITAL OF INTER. MERC. MARINE.

	Current Assets	Current Liabilities	Working Capital
1916	$45,354,199	$16,020,680	$27,333,519
1917	70,746,094	39,980,351	30,675,243
1918	82,891,765	43,209,605	39,682,076
1919	89,232,162	65,709,099	23,523,063



not be fully revealed until the end of the current year.

One of the most interesting features of the 1919 balance sheet is the item referring to accounts payable. At the end of 1919, this item showed an increase of $14,731,864 over the previous year. This was due to the fact that balances were due to the American and British governments on steamers requisitioned during the war period. The company was paid a monthly rental for the vessels used, and had to turn over to the requisitioning governments any profits accruing from their operation. Most of such accounts, however, have been closed since the beginning of the year.

Nevertheless the expansion in accounts payable in addition to the payment of $13,448,630 back dividends on the preferred stock, resulted in a severe falling off in working capital. This is a feature which must be taken into consideration. It is the first time since 1915, as shown by Table II, that working capital has declined. In view of the possibility that earnings will show a gradual decline, it is evident that the company's policy from now on will be to conserve as much working capital as possible. Inasmuch as nearly all accounts payable to the British and American governments have been liquidated, it is obvious that if economy is to be effected it will have to be done at the expense of the preferred stock which still has 42% in back dividends coming to it.

While working capital has shown a marked decrease, there are several important offsets to this feature. The company, for example, has increased the value of its property account by $13,000,000 during the past year. This has resulted from the purchase of new ships. The immediate value of this acquisition is doubtful, however, considering the present condition of the shipping industry. In addition to increasing its property account, the company has reduced its liability on its preferred stock by $13,448,630. Since the beginning of the current year, further reductions have been made on the preferred stock obligations, leaving the balance to be paid at $21,724,710 or 42%.

Those Back Dividends

Preferred shareholders, of course, are mainly interested in the possibilities of the payment of the 42% back dividends still due them. Last year, an amount of rash prophecy was made to the effect that all back dividends would be paid off in one lump sum or through the issuance of short-time obligations. Whatever basis there may have been for such hopeful opinion last year, there is practically none today.

There is no reason to believe, in view of the fact that working capital has decreased and that the business outlook is uncertain, that the management of International Mercantile Marine intends to pursue a different policy with regard to the payment of back dividends on the preferred, than the one hitherto obtaining, of paying off arrearages in comparatively small amounts from year to year, especially now that the situation for shipping has taken a turn for the worse. In the period 1917-1919, 33% was paid out on account of back dividends, or at an average rate of 11% a year. Should the company continue to liquidate its preferred stock arrearages at the same rate, it would take about four years to pay out the entire 42% due.

It is well to remember, however, that previous back dividends have been paid at a time when earnings ran very high and showed no signs of falling off. (See Chart I.) The situation is different today. The shipping industry is in a more or less uncertain position and arguments to show that the trend of earnings is likely to be on the downgrade for some time are at least as numerous as arguments of a more favorable tenor. In any event, the company will probably consider discretion the better part of business policy and should earnings show little rallying power, the prospects are that back dividends will be paid off at a slower pace than hitherto. In other words, instead of taking 4 years to pay out the 42% in back dividends it is likely to take considerably longer. This is a reasonable deduction and investors might as well take this possibility into consideration.

Of course, there is always the possibility that the British holdings will be sold, thus paving the way for an immediate

(*Continued on page 724*)

Building Your Future Income

The Fourteen Obstacles to Successful Investment—No. 5 Overtrading

THE habit of biting off more than one can readily chew is more general in the stock market than most other lines of business. Conversely, the punishment for the sin is proportionately more severe.

The word "overtrade" is used here in the way it is ordinarily understood, although many investors who consider themselves conservative, are equally guilty when they over-extend themselves. We mean by this, that it is not good business to employ too much capital in securities, as distinguished from other investments such as real estate, business assets, life insurance, cash or certificates of deposit, Liberty bonds or some other form of Government securities such as certificates of indebtedness.

When we come across a case of an investor holding a long string of speculative commitments, a batch of stocks and bonds, and formidable bank and brokers' loans against the lot; when, in conjunction with this one sees that liquid assets in the form of cash, or insurance, or real estate are down to the vanishing point, this investor had better revise his estimate of himself. He might call himself plucky, courageous, venturesome, and extremely optimistic on the market, but he could not be called conservative. Such a man is overtrading no less than the greenest recruit who has bought 100 Mexican Petroleum on a 10 point margin with his last $1,000.

NO advice can be given to the foolhardy who will persist in risking his all on slender margin, and who nine times out of ten will make the risk doubly sure against himself by not placing his account with a house that is *hard* and refuses to allow its customers to dabble in the Mexican Petroleums, Crucibles, Baldwins, etc., with slender margin.

We spoke about a lady subscriber who placed $20,000 with one of these houses and bought 2,000 shares of high-priced, fast-moving opportunities in the 1919 bull market. She actually bought on the partial payment plan (as she supposed), and if she really understood what she was doing, the balance would have required more money than she could earn in a lifetime. Of course, the gentle fall of 20 to 100 points and more in stocks since that time, absorbed her equity—even before the thin edge of the props was drawn out. If this lady had dealt with a reputable house, she could not have bought 500 shares of the type she thought she held.

Many of you doubtless have your first $1,000 and would like to trade or invest for profit. Some of you, at least, have written to us under the belief that you now are on the straight road to independence, since you might be able to buy 100 shares or so on a nice easy margin, see your stock go up 5 points and clear $500. Then with the $1,500 buy another 150, make an additional $750 and—presto, capital becomes $2,250. These things have been done before, no doubt.

THE late Charles Dow (founder of Dow-Jones) figured that $2,000 was about the capital required to trade in 10-share lots on a scale up, or down. Seems discouraging, to need $2,000 for such a picayune transaction, but he was referring to medium priced issues like Reading or U. S. Steel. His estimate may err on the conservative side, but we have never known anyone to go broke or retire from Wall Street through being too conservative.

The buyer of 10 shares of U. S. Steel must figure that he has engaged in a $900 transaction, with Steel selling at 90. Whether he puts up 10 or 20 points, the background is the principal transaction and not the credit aspect of it. If he buys with 20 points, he has merely put up $200 toward a $900 purchase, and the stock is his until he sells out. He is carrying a $900 burden until the transaction is closed out.

There is no guarantee whatever that U. S. Steel cannot drop to 80, 70, or 60, and the improbability of it does not matter.

The principal can be better illustrated on the short side, where a liberal margin is put up, and an estimate made in advance as to the stock's value and its possibilities for a rise. How uncertain estimates can be at times is shown in the records of Northern Pacific, Houston Oil, General Asphalt and that classical example, Stutz Motors.

A RECOMMENDED plan is to divide capital in such a way that at least one-half is placed where it will not very readily get away. Real Estate on good cement columns only has the real risk of earthquakes. Heavy term insurance is another good channel for principal and income. A good and comfortable home is also an investment, and quite some income will be required to maintain it. A little cash in the bank in a checking account often comes in handy, and another little lot on fixed deposit also helps out the general scheme of things.

The balance is the investment and speculative fund.

"Five and Ten" Investments Do Not Appeal

Domestic Budgets and Financial Policies Discussed with Reader Who Is Just Learning How to Save

By "OPERATOR"

I HAVE been a reader and subscriber to the MAGAZINE for nearly two years and the benefits I have received from it toward keeping me from buying into one and ten-cent share propositions cannot be told. I am now where I want to begin to really invest for profit and income but there are so many offerings of bonds and stocks I do not know what is best for me. If you can take the time to consider my position and will offer me the benefit of your experience and skill in an outline of what I should do I certainly shall appreciate it, and will do all in my power to repay you.

I am 33 years of age, married, have two sons aged 10 and 6, am employed as a Train Dispatcher, 8 hours per day, 6 days per week, for the Northern Pacific Ry. Co., and have worked for the company continuously as telegraph operator and dispatcher since November 2, 1905. I certainly am ashamed to admit that after such a length of service with one corporation I am not better off financially than I am at this time, but it is a fact that I have not learned to save as yet.

I receive $251.52 per month from the Northern Pacific, own five shares of U. S. Steel, purchased in February, 1919, at a total cost of $463.21 or at 92⅛ and commissions. Receive an annual dividend of $6.89 from a policy of the Postal Life Insurance Company. Will have paid for on December 15 $300 of the American Light and Traction Co. bonds purchased from Halsey, Stuart & Co., of Chicago, and $100 in the boys' names in a savings bank. Insurance is carried as follows:

Whole life $3,000. Annual premium, $66.45.

Sickness and accident, $25.00 per week in a Masonic Association; annual premium $32.00.

Sickness and accident $12.50 per week in The Benefit Association of Railway Employees; annual premium $12.00.

Hospital and Medical Service in The Northern Pacific Beneficial Association; annual $16.20.

Fire insurance on household goods; annual $8.00.

Total insurance premiums, annually, $134.65.

We live in a company house and pay $15.00 a month rent, which includes water. This is much less than the same house could be maintained for if we owned it, so I have never desired to buy a house to live in as long as we could keep this one, and it is safe to figure on keeping it as long as I remain in the employ of the company. To sum up, my annual expenses are as follows:

Insurance	$134.65
Rent	180.00
Light and fuel	150.00
Clothing for the four of us	250.00
Lodge and church dues	75.00
Table expenses average $50 to $60 month	720.00
Total	$1,509.65

We should be able to save and invest nearly one-half of our income for the next few years and unless there is a general reduction in wages I expect to hold the same or equal position with the company as long as I work for them. I would like to begin to build for the future so that at fifty years of age I will have been able to put both of the boys through school and have an income of $1,500 to $2,000 yearly from my savings. It seems to me that this should be possible if I can get started right, at this time. Practically all railroad employees bought Liberty Bonds at par and accrued interest while the drives were on, but I am sure that nearly all of them were sold soon after they were paid for.

The banks here charge 10% interest on loans or unpaid balance of bonds bought through them. I would like your recommendation of a company from which I could buy bonds or stocks on the partial payment plan that will not charge more than 6%.

This communication is rather long, but if you can take the time from your various duties to get me started on the road to financial independence I and my family shall be greatly in your debt.

"OPERATOR."

Your statement that the MAGAZINE has been effective in preventing you from speculating in one and ten-cent share propositions and has educated you as to the value of turning your efforts toward investment for profit and income on a basis of safety, we consider a high compliment, and thank you.

The MAGAZINE has maintained a consistent policy of encouraging investments rather than speculation for we desire to have our readers save and prosper on a safe and sane foundation.

Your decision to make a determined effort in the future to endeavor to put by one-half of your income is commendable and if you stick to it and invest wisely there is no reason why you will not attain your objectives.

Your expense budget for a family of four is a good indication that you are thrifty and we do not see a weak point in the items. In fact the average person will wonder how you do it, especially your table expense item. We do not advise any change in your insurance budget and you are fortunately situated as to housing. There would seem to be no reason for you to invest in a home at this time.

Your selection of U. S. Steel for investment was a good one and you purchased at a price that will eventually give you a profit in addition to your dividends.

Your American Light & Traction bond is a safe security. It will be paid on or before maturity. This has a convertible privilege into stock. If you watch the quotations on the common stock of this company, you may be able later to make an advantageous conversion and sale.

The common stock is low now but in six months or a year is quite likely to make a sharp advance. You will find that the market price of these bonds will enhance in connection with the stock.

To start with on your new investment plan you might put $100 in bonds on the partial payment plan each month. This will leave you a cash surplus each month for emergencies. With this you might buy savings stamps until you have enough to convert into a Liberty bond. (Read "Builders of Bridges," in "Financial Independence at 50.")

For a bond purchase we suggest Montana Light & Power 5s, now around 78, St. Louis & San Francisco Prior Lien 4s, now around 57 or Bethlehem Steel Pur. 5s, now around 78.

You can make purchases of a bond house making a specialty of the partial payment plan. We do not know the exact charge, but it should not be much over 6%. First write for the full particulars of their plan and also ask what they will credit you as a loan on your U. S. Steel stock. Do not go in too heavy.

Halsey, Stuart & Co. do not as a rule sell on the partial payment plan, but as you are a customer they might oblige you. It is a very reliable, conservative and old-established house.

If you study each issue of the MAGAZINE, and combine that with a perusal of the books available through our book department, and some of those mentioned in the MAGAZINE, you will acquire a gradual education in finance that will not interfere with your regular duties and will fit you for other responsibilities later on.

Let us hear from you occasionally about your journey to Financial Independence.—Editor.

NOT LIABLE TO CANADA TAX

Many American citizens have been somewhat perplexed, recently, by receiving a demand from the Canadian tax officials for an income tax report, where they are the holders of Canadian securities. The Canadian blanks hase been enclosed and in a number of cases these blanks have been filled out by Americans with the same amount of exhaustion of nervous energy that the United States blanks cause.

This tax return is entirely unnecessary, as American citizens do not have to pay an income tax in Canada. Canadian securities are taxed at the source. Of course Canadian citizens have to pay an income tax. The confusion in the matter has been caused by Americans having the interest coupons collected by the Canadian banks and giving the bank as a post office address.

The Canadian tax officials in such cases have no way of ascertaining the nationality of the security owner, but, noting a Canadian address, naturally assume that the holder is a Canadian. In every case where such blanks have been forwarded to the United States by the banks, it would be well for the recipient to write to the Canadian tax office and explain his citizenship.

Do You Want to Obtain a Building or Home Purchase Loan?

Here Is a Careful Analysis of the Actual Facilities for Either Purpose as Offered by Our Building & Loan Organizations

By **WILLIAM ARMSTRONG**

BUILDING and Loan Associations can be classed as one of the biggest aids to the development of thrift in the country. Located in every section of the United States, they have for many years been one of the chief means by which people could save their dimes, quarters, halves and dollars, through weekly or monthly payments. They have the additional and special merit of providing facilities making it possible for thousands to borrow money to build or purchase homes, and pay the loan back, under easy conditions, over a term of years.

Although in New York State, the law under which they functioned was passed in 1851, it was not until the "Eighties" that these organizations began to operate in any large numbers. The first experiments were of necessity crude in some details, but the organizations have always been sound basically.

Experience, as is always the case, proved a valuable teacher in showing what was best to eliminate from the system and what was best to keep. It brought out improvements in the details of operation, until today the majority of these organizations are well managed, beneficial to the members, and the general public welfare, and financially sound.

A factor that will strongly commend them to favorable consideration is that, in most states, they are now under the supervision of the State Banking Departments and their affairs conducted under strict rules laid down for them by these departments. Bank examiners regularly inspect the records of the Associations, and the value of their assets, with the same minuteness as the affairs of banks are scrutinized.

Classes of Members

In the various associations there are different classes of members, and several provisions in the case of those who join for investment purposes only, whereby they can pay anywhere from 10 cents a week up, towards the purchase of shares. The shares mature in given series in a certain number of years, after which the principal is returned plus a share in the earnings. Straight deposits which draw a fixed rate of interest, usually 4½ to 5% per annum, are also possible. There is no forfeiture of funds in case of lapses in payment of dues. There are fines assessed, but they are so small as to not be worthy of consideration. If you pay your money in you can get it back when you want it under the same conditions as funds placed in a savings institution.

For purposes of illustrating the way to obtain a building loan or a home purchase loan, a selection was made of two of the oldest Building and Loan institutions in New York City, one a strictly co-operative affair, the other semi-co-operative, but which, from the home builder's standpoint, could be termed a straight out-and-out building loan organization. We will take up the co-operative plan first.

How to Join

Shares in this Association cost $200, and you can pay for them at the rate of 20 cents a week. You cannot buy less than two shares. After you have made fifteen payments on your shares you are in a position to apply for a mortgage loan. Of course you must have the 30% cash or equity, as a nest egg.

You have decided, let us assume, to borrow $5,000. That would necessitate your purchasing 25 shares, to be paid for at the rate of 20 cents per share per week. You would submit your application and the Board would pass upon it, examining the lot you were to build on or the house you had picked out to purchase, and, the loan approved, you would be charged a fixed premium for the loan. Some organizations take this out of the loan and others require the borrower to pay it irrespective of the loan.

There is also the cost of the search of the property, which charge varies anywhere from $75 to $150. The premium would average approximately 3%, or, on a $5,000 loan, $150, which premium, however, when the transaction is finally consummated, is paid for out of the earnings of the shares.

These preliminaries perfected, the mortgage is executed and the transaction is completed by the Association in your behalf. Your shares are assigned in escrow to the Association, as additional security, but they are earning dividends for you as you proceed to pay off your loan.

We now have you in possession of your home, with the title in your name and the Association holding a mortgage on the property for $5,000. You are then required to pay, each month $55 to the Association, or at the rate of $11 on each thousand borrowed. This includes all dues on your shares and interest on the money borrowed.

The period of the series of your shares will in all probability be 13 years. That is, this series will mature in 13 years. In the meantime you will have been paying in $55 a month. At the end of the 13-year period, when the series matures, your shares will be cancelled, but so will your mortgage, and you will own your home free and clear of the mortgage.

The only other expense you will have incurred, aside from the cost of the necessary repairs to the house, will be the payment of the taxes and fire insurance. That is not included in the Association budget and must be paid by you and taken care of promptly.

Modernized Building Loan Plan

The plan of operation of the other Building and Loan Association can be briefly outlined and has exceptionally attractive features. It conducts a savings department, the straight interest being from 4½ to 5%. The building or purchase loan department is a clear-cut proposition. It has been modernized and brought right down to the minute in methods. If you can locate an Association of this character in your territory and want to purchase or build a home, when you have the necessary 30% nest egg, you can afford to step right in and do business.

It is not necessary to buy any shares in the Association. If you secure a loan you merely become a member. We will assume that you want to secure a $5,000 loan and you so state to the secretary. If the money is at hand to loan, (and it will be, as these Associations have plenty of it for just that purpose), your credentials and proposition will be taken under consideration.

You need not ask the cost for we will tell you here, although of course you will verify it. In this class of Associations the cost will be, for a loan of $5,000, an appraisal fee of from $5 to $10, and the cost of the search of the title to the property, which will vary, but call it $100. That is all. There is no premium of 3% to pay. If your security is approved, you will get the money.

The method of paying the loan off is also easily understood. You pay the Association at the rate of $50 a month. That includes interest charges and a partial payment on the mortgage. The taxes and insurance costs you must pay each year, aside from the payments to the Association.

In this case your interest charge is less every month because you are reducing the mortgage but you keep up the $50 monthly payments. You are being charged interest at the rate of 5% per annum. You make these $50 payments for a period of 139 months, or approximately 11 years, and then you are through. The Association cancels the mortgage and your home is free and clear.

That is the whole story of this excellent plan in a nutshell. You have paid during the 139 months the sum of $6,950. Of this amount $5,000 has been on the principal, which you get back. The $1,950 has been the actual cost of the mortgage.

As between the borrower who utilizes the building loan plan and the one who secures a mortgage through the usual channels, payable in full at the end of three or five years, but not before, and with only semi-annual interest to meet, the Building and Loan borrower, for the long pull, has a decided advantage.

As to choosing between methods of borrowing it is just a question of like or dislike for the instalment payment plan. Some people cannot tie themselves down to the system and others will not. But for the man or woman who desires to own a home, and is anxious to adopt a plan that will build up his future income, the Building and

Loan Association presents the opportunity.

Misapprehensions Corrected

There is much popular misconception of the workings of the Building and Loan Associations as to advantages derived and disadvantages. People have been confused through talk of auctions of mortgage allotments, compound interest charges, etc. That is all of the past. The practice of putting up money allotments at auction to the highest bidder at Association meetings is obsolete. As to compound interest, instead of paying it, the building loan association investor, in a way, receives compound interest on his investment.

One of the most prevalent mistaken ideas is that a person can walk into a Building and Loan Association office with a few hundred dollars and walk out again with a loan sufficiently large to build or buy a home. If you desire to borrow building money, you must produce a proper amount of security. If you wish to borrow $1,000, taking the liberal estimate of a 70% valuation, you must have in you possession the equivalent of $300 in cash or real estate. That is, if you have property worth $300, the Association would loan you $1,000 and take back a mortgage on the property as its security. If you had $1,500, or its equivalent, you could borrow $5,000, but the money loaned to you by the association would have to be put in improvements and the mortgage would be on the whole property for $5,000, as it stood improved. In the purchase of a home your funds and the building and loan funds would be consolidated for the purchase.

There is likewise an impression that once a loan is placed it cannot be paid off until maturity. This is wrong. **The modern association will cancel a mortgage without protest any time you are able to pay it off.** I found this to be one of the strongest objections urged against this system and it proves to be groundless.

As to foreclosure proceedings, three months' grace is usually given where there has been a default in payment, before foreclosure proceedings are instituted.

Pitfalls Now Avoided

One of the pitfalls of the managements in the earlier days, before time had put them through the acid test, was a tendency to make loans at too high a proportion to the value of the property. The result was that a great deal of real estate was thrown back to the associations, to become a liability instead of a mortgage asset. Such mistakes are rare today, in conservatively managed organizations. In fact it can be said that in many cases the Boards are leaning too far in the opposite direction, as some will only grant a loan on a 50% valuation, and the average is from 60 to 65%. A few even go as high as 75%.

Considering the nature of the organizations, it would seem, from an unbiased standpoint, that the Boards should allow loans on a 75% basis. The law permits them to loan up to 80%. Under the system of amortization, where the loan is being constantly reduced 75% could be loaned without overstepping the safety zone. Such a course would certainly allow an increased number of people to buy or build much needed homes in the immediate future.

But the loan association officials advance a very good argument against a high valuation basis, as I learned in conversation with Mr. E. F. Howell, Jr., who is one of the progressive leaders in the field. He pointed out that, while it would be permissible to loan out to the maximum limit valuation in ordinary times, these are not ordinary times. As a result it is very difficult to determine whether a given price on a piece of real estate is a stable price that will stand the test of years. There is the additional uncertainty as to whether the price of building materials is to remain at its present high level or decline and cause a depreciation in the value of old houses as compared with those newly constructed.

To guard against this, the various boards have hit upon a happy medium in the valuation basis between the extreme high and extreme low, with the result that it averages around 65%. Mr. Howell, moreover, puts in an even more liberal clause in the statement that the Boards, passing on loans, consider the moral hazard represented by the individual applicant. If it appears that the applicant has character and stamina, is a regular worker, and if the indications are that he will be able to meet his obligations, and has been in the habit of doing so in the past, the minimum valuation limit may be "forgotten" and the Board, in some cases, incline almost to the maximum limit.

What Does That Mean?

Wall Street Technicalities Expressed in Every-Day Language

CONSOLIDATED MORTGAGE BOND

Corporations, usually railroads, often issue Consolidated Mortgage Bonds. They represent and are secured by a mortgage on the properties of various corporations consolidated and taken over.

The wise investor always looks before he leaps. It is not a difficult matter to ascertain just what property such a bond is secured by. It might be a first mortgage on all the property of these smaller companies; and then again it might be preceded by other mortgages on these same properties, issued by the absorbed companies before the consolidation was effected. In the latter case this mortgage bond would not be as safe as if it were an actual first mortgage and yet it can be called, and sometimes is, a consolidated mortgage bond.

REFUNDING MORTGAGE BONDS

Refunding Mortgage Bonds are just what their name implies, no more or less. This class of bonds should be examined with a magnifying glass. It is well to remember in the purchase of all classes of securities that "Skimmed milk masquerades as cream" sometimes. There are "Refunding First Mortgage Bonds" and "First Refunding Mortgage Bonds." They sound alike but watch your step in making a selection.

A Refunding First Mortgage Bond is a bond issue which replaces an issue instead of retiring it with a cash payment. In this case the original bond issue was secured by a first mortgage on the property and the new bonds are secured by a similar mortgage.

The First Refunding Mortgage Bond takes the place of a previous issue, which may or may not have been a FIRST mortgage. All these points can be cleared up by inquiry at the proper source.

INTEREST ACCRUALS

Interest on bonds is not included in the market quotations. Bonds have a fixed date, usually semi-annually, when the interest is payable. When a bondholder sells a bond between the interest payments, he is entitled to the interest that has accrued on the bond from the last interest payment date up to the day of the sale. The purchaser pays the market quotation for the bond, plus the interest accrued. The buyer has his plus payment returned to him at the next interest date, as he will receive the full six months interest. This rule does not apply in the case of a bond that is in default.

"ACTIVE" AND "INACTIVE"

The use of the words Active and Inactive as applied to securities, is seldom misunderstood. But the real meaning is often forgotten when people are seeking quotations on stocks or bonds in the lists published by the financial mediums. An owner of a stock or bond often studies the quotations representing the dealings on the big exchange and the curb and failing to find his security quoted, fears the worst or blames the financial editor for carelessness.

If the stock is regularly listed on the New York Stock Exchange, the reason he fails to find it is that he has looked only at the daily sales list. The stock might have been inactive. In that case it would be in the separate "Bid and Asked" list.

In the case of bonds, unless they are fairly active they sometimes become "lost" as regards quotations and yet may be gilt edge securities. Financial publications would not have room to give a complete list of all bond prices.

"AUTHORIZED" & "OUTSTANDING"

When a corporation is chartered it is authorized to issue a stated amount of capital stock. The company can issue stock up to that stated amount and no more, except by having its charter amended. But it is not necessary for the company to issue the full amount of stock allowed by its charter. It sells the amount which the directors deem necessary for the establishment and conduct of the business. This will explain to the novice why financial statements, say, for example, "Authorized capital $5,000,000, outstanding $2,000,000." The latter amount represents the stock issued. The balance remains in the treasury but may be issued from time to time at the option of the directors.

Public Utilities

Bonds and Stocks

Pacific Gas & Electric Co.
Great Western Power Co., of Cal.

San Joaquin Light & Power Corp.
Southern California Edison Co.

Electric Utilities of the Pacific Coast Entering a New Era

Conditions Restricting Development of These Properties Gradually Removed—Securities of Strong Companies Appear Attractive

By EDWIN EVANS MENTZER

CALIFORNIA will need $500,000,000 for public utility hydro-electric development during the next ten years, i. e., $50,000,000 a year, to keep abreast of the ever-increasing demand for electrical energy.

There is apparently 6,000,000 hydro-electric horse-power capacity stored in California's mountains. Of this stupendous force 600,000 horse power, or 10 per cent only, has been harnessed, and at this writing there is shortage of available power, which actually necessitates suspension of industry.

The situation in the state is peculiar. Its coal deposits are not of known commercial value. Its vast resources of oil are exhaustible. Its water supply is not equitably distributed, in that part of the state is arid with inadequate rainfall, while the other half is more than abundantly watered. But its electrical assets—the backbone of its industrial prosperity—is not excelled by any other state of the Union, except possibly Washington.

And yet California's installed power capacity is insufficient even for present needs.

Causes of the Present Power Shortage

There are six outstanding reasons for the present power shortage—all of which have been practically eliminated, except, of course, the abnormal condition of the money market.

First, the pioneer projects of the early nineties not infrequently were of excessive unit cost, and meagre capacity. They failed to supply reliable uninterrupted service even to the then handful of but one and a half million residents. Now, however, the cost of hydro-construction is from one-half to one-fourth that of former times, huge capacities and consolidations have supplemented the smaller wasteful units, and the population has quadrupled.

Secondly, burdensome, restrictive and uncertain Federal permits, which stifled hydro-electric development, were introduced with the advent of the so-called Pinchot Conservation Policies. In California, some 45 per cent. of the land is owned or controlled by the Federal Government and most of this vast acreage lies in the mountains, where hydro-electric energy must be generated. Hence it was and is practically impossible to install generating systems of economical size without utilizing at least some part of the public domain, and electric investment rested upon uncertain permits, objectionable because they were revocable at will and failed to assure adequate compensation in case of revocation. Furthermore, if but a fractional part of plant, water storage and the like, occupied public land, the Government demanded full control of the entire system—reservoirs, plants, transmissions and distributions.

Now, however, governmental uncertainty has been supplemented by the Federal Power Bill (H. R. 3184) of 1920, which in regard to general principles, is considered a sound, workable and equitable law. It creates a small commission and delegates thereto almost plenary powers of decision. It provides for the supervision of security issues, the fixing of rates and regulation of service by state bodies, the establishment of definite tenures not to exceed fifty years, and adequate compensation for net investment, as well as severance damages, if the whole o any part of any project be taken by the Government or at the termination of tenure granted to other parties.

The Passing of Steam

Thirdly, for many years the economic expediency of hydro-generation rather than steam-generation has been a much mooted question. As a rule the initial cost of the former is twice that of the latter, but in cost of operation the ratio is more than reversed. Size of plant is essential to economical use of distant mountain water power. Huge capital is required for dams, plants, long-distance transmissions and expensive distribution systems. Not only must immediate consumption be considered but, because of the enormous first cost, reasonable growth must be anticipated, and continuity of efficient service maintained regardless of drought in summer, ice in winter and damage, by wind, sleet and lightning, to transmission lines hundreds of miles in length.

On the other hand, steam plants are located near points of distribution, constructed at present-need capital expense only, and markedly improved in efficiency by invention.

Prior to the war and advanced prices for all commodities, California Power Administrator H. G. Butler said:

> "Steam plants are built only when and where required. Investment is limited to immediate demands and the efficiency of the steam turbine has increased from an output of 150 Kw. Hrs. per barrel of oil to well over 300 Kw. Hrs. The Diesel internal combustion engine, with its higher efficiency than the steam turbine, is even a stronger competitor of hydro-electric power, where fuel oil is available."

There is now electric steam generation in California of over 400,000 horse power of energy, but conditions favorable to steam have changed. Fuel oil is now $2.00 against $1.40 a barrel but three years ago; labor and materials have advanced in like proportion, and the economic pendulum has swung to hydro development, probably never to return.

Fourthly, not of least importance in retarding all utility progress (hydro-electric generation included), has been the antagonistic attitude of the people toward accumulations of capital. False leaders, misapplying the words of Roosevelt—"Malefactors of great wealth"—included in this category all those of commercial initiative, and business vision.

But this sentiment has changed. The people realize that unduly curbing utilities is detrimental to public welfare; that corporation baiting is a common nuisance; that savings will not be invested in channels clogged with jealous, envious restrictions and risks of confiscation, either in whole or in part; that where money will not flow, progress is impossible; and that corporate organization is the best known method of assembling, managing and controlling large units of working capital, either in the interests of property owners, or the public at large.

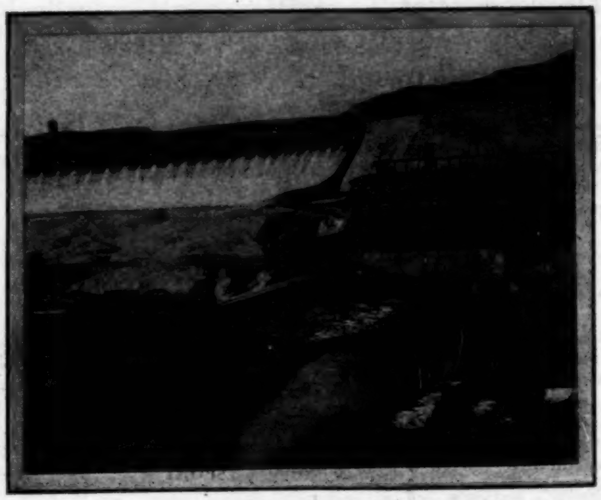
Rate Increases Become Understood

Fifthly, because of this widespread public distrust adequate compensation for utility service was not infrequently denied by regulatory bodies throughout the country. The result was impairment of usefulness, deterioration of physical properties, and public inconveniences not tolerable in modern organized communities.

In utility matters, rates, i. e., the cost of service to consumers, is not nearly as vital as is the fact of efficient uninterrupted supply of such service. Is there anything

more universally exasperating than the loss of time and the economic waste incident to slow, antiquated street car transportation, delayed and indistinct telephone connection, inferior and intermittent light and power supply? And yet, are not these largely due to lack of adequate income?

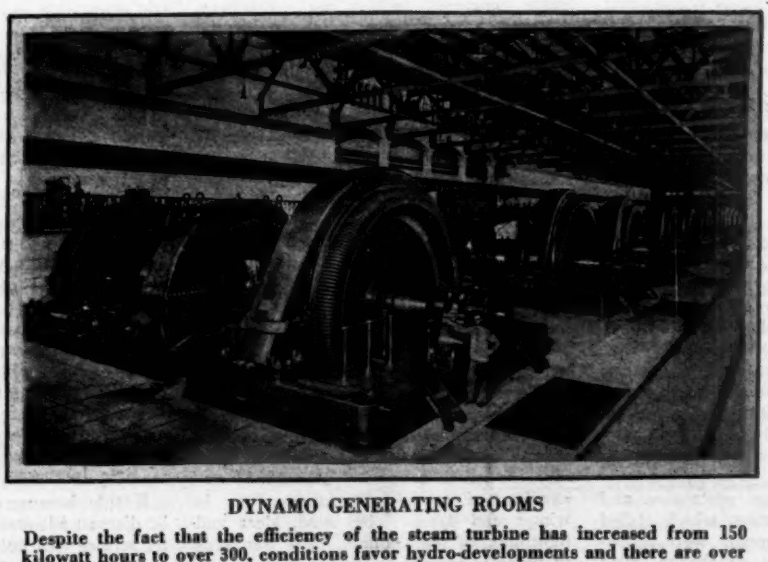
For instance, at this writing, some five weeks' production of steel ingots are in the Pittsburg mill yards, as a result of clogged railroad traffic. In other words, $150,000,000 is there tied up in "frozen credits," because rates for service under Government operation were not sufficient to meet operating expenses, security payments and to repair the damages of excessive war traffic. The same condition retards the movements of farm crops, mercantile supplies, manufactured commodities, etc., and stagnates the entire complicated mechanism of modern business. Insufficient and inefficient utility service, then, is more deadly in its effect on organized society than rate increases that may be required to assure efficiency.



AN EFFICIENT HYDRO-ELECTRIC PLANT

Although the initial cost of hydro-generation is more costly than steam-generation, the cost of operating the hydro-electric plant is considerably less—the ratio being about two to one

Sixthly, the demands of the late war were prior to all other exigencies. Money was diverted from the construction of anticipative productive enterprise to the manufacture of war materials—means of destroying life and property—regardless of waste and extravagance. As the funds of the country were consumed, interest on Government loans increased from 3½ per cent to 4¼ per cent. When the war was over, the excessive demand for private money advanced its price from 5 per cent. to 8, 9 and even 10 per cent., and this abnormality restricted permanent betterment to matters of urgent immediate necessity.



DYNAMO GENERATING ROOMS

Despite the fact that the efficiency of the steam turbine has increased from 150 kilowatt hours to over 300, conditions favor hydro-developments and there are over 15,000,000 acres of California land awaiting power

But, even the ravages of war are not permanently harmful. Recuperation is the cure for inflated credits, and overstrained, overworked dollars. Now, the underlying policy of the country's business is the adjustment of economic conditions—the payment of indebtedness — deflation. When industry has regained a state of normal equilibrium, money will return to lower levels, the prudent will seek secure investment, and the issues of the tried, rejuvenated utilities will be in heavy demand.

Attitude of California R.R. Commission

In California, the utility regulatory body is the Railroad Commission of which Mr. E. O. Edgerton is President. The broad-minded constructive ideas and conservative leadership of Mr. Edgerton have invaluably aided in awakening public opinion to the principles of sound finance, and stability of public utility investment.

Mr. Edgerton courageously suggests the adoption of three fundamentals as a basis for solving the complicated problems of utility finance. First, that rates be fixed not as heretofore on the basis of physical valuation—always matter of varying engineering judgment, and expensive prolonged contention of conflicting interests—but more with regard to interest and dividend requirements of "agreed" utility financial structures approved *in toto* by the regulatory body. Second, that in time of plethora reserves be created for the payment of security interest and dividends during the smaller earning period of business cycles. Third, that efficiency in operation and management accrue in part to the benefit of utilities, rather than as now, to the diminution of utility income, which not only decries effort toward economy but actually increases indifference to operating costs and methods.

The Market for Electrical Energy

The market for California's electrical energy may be classified as follows: Some 45% to industry, 15% to lighting, etc., 20% to transportation, and 20% to agriculture development and irrigation.

Population, the basic measure of community development, is increasing in California at the rate of 60% to 65% per decade, but the industrial centers grow three times faster than the rural districts. Moreover, the output of California's manufactured goods is larger than all other Mountain and Pacific Coast States combined, and has probably increased over 50% since 1910. Hence industrial expansion—the basic barometer of power consumption—is not only most satisfactory in point of investment security, but is an ever rapidly increasing market for electrical energy.

With this remarkable increase in population—approached only by New York and Pennsylvania—the demand for extended betterment in lighting and street railway facilities is inevitable. Furthermore, eventually electrification of the steam railway facilities is inevitable. Furthermore, eventually electrification of the steam railroads will be effected, although, contrary to general belief, probably not within the next ten years, as traffic density and contemplated changes of alignment will hardly warrant the enormous expense of such conversion prior to the succeeding decade.

The true cost of power is maximum peak load, which in railroading is markedly variable —intermittent. The railroads are not in position to retail the surplus power of their own generators, and it is claimed that wholesaling to distributing utilities is not profitable. Moreover, it is doubted if the railroads will be permitted to sell their surpluses. Again, in California's hundred millions of acres, some twenty-eight

millions are arable, and of the latter twenty-two millions are irrigable, and some two millions drainable. There is apparently water for the gravity irrigation of but ten millions of these irrigable acres, and the balance must largely rely on power pumping. Mr. John A. Britton, General Manager of the Pacific Gas and Electric Company, says, "There are in Central California alone 15,000,000 acres of land which can be irrigated or reclaimed if we had the power to spare." Hence the existing and potential market for utility power is exceedingly attractive.

The Investment Worth of Electric Utilities

With the exception of street railways (which, not infrequently abused by promoters, constructed through insufficiently peopled territories, peculiarly subjected to political attack, and by reason of their unpopularity and economic conditions, many times refused adequate rates—were plunged into serious financial troubles) utilities throughout the country have weathered the late financial strain with remarkable fortitude. They have passed the crucial tests of war with better averages than most other forms of investment enterprise. Regardless of narrow minded objections, their rates, as a rule, have been adequately advanced, their credit maintained, their properties preserved, and in few, if any cases have receivership been recorded.

Mr. Cyrus Peirce, a leading utility expert of the country, in an address to the late California Bankers Convention said, "When deflation has been completed and the wreckage is cleaned up, it will not be necessary to carry on a campaign of instruction to convince you of the stability of public utility investment."

Utility Securities vs. Railroad and Municipal Bonds

Mr. Peirce also cited comparative statistics of enlightening worth. He declared that from December, 1916, to April, 1920, ten choice railroad issues declined 22.5%, California State 4s. 17.5%, leading California County Bonds 18.2%, San Francisco City and County bonds 17.4%, nineteen choice utilities of Pennsylvania, New York, Illinois, etc., 10.8%, and ten leading California utility bonds 12.0%. To quote Mr. Peirce, "These comparisons show that well managed properly secured public utility issues have shown more stability in a market of this kind than either governmental or railroad obligations, and as a matter of fact more stability than the bonds of the United States Government itself."

The question naturally arises: Why are California utility securities so unusually stable? In the first place, they are founded upon necessity. Men must have water, light and power regardless of business conditions. Hence their revenues are peculiarly constant. In the second place, the leading California electrical utilities cover immense territories and serve industrial, agricultural, commercial, private and public organizations. Furthermore, in addition to the sale of power, they usually retail gas, water, sometimes steam for heating, street railway transportation and the like. Hence their incomes are extensively diversified. In the third place, recognizing the indispensable nature of utility service and the importance of adequate maintenance, the Railroad Commission has granted the rate increases necessary to their support. In the fourth place, during business depression, utility financing has been minimized, and in this it is pertinent to compare utility practice with that of the subdivisions of government.

Encouraged by the flow of funds into tax exempt securities and regardless of monetary conditions, politicians, availing themselves of opportunity, have plunged ahead with pet construction schemes of all sorts. To sustain this indictment, we need but cite the borrowings of states, counties and municipalities as follows: In 1910, $329,360,955; in 1918 (a war year) $262,868,814; and in 1919, $748,205,783. Is not this evidence of political profligacy significant? Does not comparison establish the superior worth and stability of utility issues?

The gross income of California's four leading hydro-electric utilities, i.e., Pacific Gas & Electric Co., Great Western Power Co. of California, San Joaquin Light and Power Corporation, and the Southern California Edison Co., exceeds $42,000,000, their customers number more than 600,000; under the regulating influences of the Railroad Commission, their transmission lines have been connected from Oregon to Mexico, from the perpetual snows of the high Sierras to the Sea; and in the near future heavy conduit construction now proposed will harness the energy of the state into a veritable "river of power," distributing energy in constant, uninterrupted reliable service to all power users of the state, maximizing the security of electric utility revenues, and placing the bonds and stocks of these companies in most enviable and desirable investment position. Pac. Gas & Elec. vol. 24, p. 776; G. W. Pr. vol. 24, p. 302; San. J., St. & Pr., vol. 24, p. 478; So. Cal. Edison, vol. 24, p. 29.

Actual Value of Pennsy's Leased Lines Greater Than That of Any Other System

(Continued from page 683)

Central Pennsylvania under lease to Northern Central. It has outstanding $600,000 4% guaranteed stock of the par value of $20, of which the lessee owns $11,460. The Shamokin Valley & Pottsville, owning 40 miles, has issued $869,450 6% guaranteed stock of the par value of $50, of which Northern Central owns $619,650.

ELMIRA & WILLIAMSPORT

The Elmira & Williamsport, which, except for a short gap, forms a northern extension of the Northern Central, owns 75 miles between the cities named. It was formerly under lease to Northern Central but this has been transferred to Pennsylvania. The company has outstanding $963,000 first 4s of 1950, $570,000 income 5s of 1962 $500,000 7% guaranteed preferred stock and $500,000 5% guaranteed common stock, both stocks of $50 par value.

The Elmira & Lake Ontario is only indirectly under lease, as all of its $1,500,000 outstanding stock is owned by Northern Central. The company owns 100 miles from Elmira to Sodus Point on Lake Ontario with a branch to Canandaigua. Its only securities in the hands of the public consist of $500,000 5s maturing in 1924.

These comprise the principal leases east of Pittsburgh.

In point of mileage, and probably in value, the most important lease is that of the Pittsburgh, Fort Wayne & Chicago, forming the main line from Pittsburgh to Chicago. This company has no bonds but the following 7% guaranteed stocks: $14,713,700 preferred, $5,000,586 original stock unexchanged, $22,955,400 common, $42,261,500 special stock unexchanged. Of the $22,955,400 common, Pennsylvania owns $12,780,600. In January of this year, a special dividend of 5¾% was declared on both preferred and common stocks.

The Pittsburgh, Youngstown & Ashtabula owns 138 miles of road extending south from Lake Erie and connecting at several points with other leased lines. The company has outstanding $1,538,000 consolidated 5s of 1927, $4,717,000 general 4s of 1948, $9,089,000 7% guaranteed preferred stock and $2,100,000 7% guaranteed common. Pennsylvania Company owns all the common and $5,774,500 of the preferred.

The Erie & Pittsburgh owns 83 miles between Girard Junction on Lake Erie and Newcastle Junction where a connection is made with the Pittsburgh, Youngstown & Ashtabula. The company's outstanding securities consist of $3,806,000 3½% bonds of 1940, $2,000,000 7% guaranteed stock, and $1,723,800 7% guaranteed betterissues are of $50 par value.

The Cleveland & Pittsburgh owns 205 miles of road extending south from Cleveland and connecting at several points with the Pittsburgh, Fort Wayne & Chicago and the Panhandle. The following securities are outstanding: $4,396,000 4½s of 1942, $4,206,000 3½s issued in three series maturing in 1942, 1948 and 1950, $17,893,400 4% guaranteed betterment stock, $9,450 10% guaranteed stock and $11,228,300 7% guaranteed stock. All the issues are of $50 par value and of the betterment stock, Pennsylvania Company owns $5,526,200.

Columbus & Xenia, which owns 55 miles between these two cities, is under lease to Panhandle, controlled through stock ownership by Pennsylvania. The company has outstanding $1,786,200 8 2/5% guaranteed stock of the par value of $50.

Little Miami, also under lease to Panhandle, owns 102 miles between Xenia and Cincinnati, with branches to Springfield and Dayton. The company has $1,070,000 4s of 1962, $4,642,650 4% guaranteed junior betterment stock and $4,837,300 8 3/5% guaranteed stock, both of the par value of $50.

Many of the foregoing stocks are now selling to yield comparatively low returns but those of some of the less important parts of the system can be purchased to net better than 7%. The security in every instance is ample.—vol. 25, p. 806.

Investors' Indicator of Public Utilities

The dividend rate given covers regular declared dividends on yearly basis. Extra or stock dividends are noted from time to time in the comment column on the right, which also summarizes important price-affecting factors. The yield on price is based on regular dividends and the last reported sale or bid price before going to press. Latest bid price given in column headed "Recent Price" in preference to a very old sale. A minus sign before earnings column indicates a deficit for the year in dollars per share.

INTENDING PURCHASERS should read all notes carefully and consult "Financial News and Comment." It is also well to consult our Inquiry Department.

	Price Range, 1916 to Date		Recent Price	Present Div. Rate	Yield on Recent Price	Dollars Earned Per Share					Earned Last Fiscal Year on Recent Price	Remarks
	High	Low				1915	1916	1917	1918	1919		
Amer. Lt. & Trac.	401	110	110	$7†	6.4	24.6	25.6	20.9	14.4	13.6	12.4	Gross earnings of subsidiaries showing steady increase.
Amer. Power & Lt.	70	45	*42	4	9.5	4.2	6.4	4.6	4.9	3.7	8.8	Little affected by poor conditions among other public utilities.
Amer. Pub. Util.	47	8	*3	0	0	3.8	5.3	7.1	—0.6	—12.0	0	Situation somewhat better than a year ago.
Amer. Tel. & Tel.	135	91	98	8	8.2	9.5	9.8	9.5	9.9	10.0	10.2	Doing largest turnover in history.
Am. W. W. & El. 1st pfd.	..	36	*37	7	18.9	9.5	10.1	12.9	10.7	8.0	21.6	Financing relative to liquidating accrued dividends progressing satisfactorily.
Bklyn. Edison	131	85	87	8	9.2	11.6	11.8	8.8	9.2	10.4	12.0	Business increasing steadily.
Bklyn. Rapid Transit	93	9	12	0	0	7.4	7.5	6.9	5.5	2.0	16.7	Company is attempting to secure higher fares.
Cities' Service	488	100	297	6a	2.0	15.2	36.7	60.7	—61.6	—30.1	—10.1	Record year credited for 1920.
Columb. Gas & Elec.	69	14	55	5	9.1	0.7	2.3	5.8	6.4	6.5	11.8	Increasing its oil operations steadily.
Com. Pr. Ry. & Lt.	67	17	*16	0	0	7.4	8.8	5.7	—0.7	7.2	45.0	Is increasing plants and equipments.
Cons. Gas of N. Y.	145	74	82	7	8.5	9.2	9.0	7.1	5.7	4.0	4.9	Court allows increase from 80c. rate to $1.20.
Detroit Edison	149	91	91	8	8.8	13.7	14.6	10.3	9.0	9.7	10.7	Stock an attractive investment; recently granted higher rates.
Detroit Unit. Ry.	128	70	92	8	8.7	15.7	23.0	14.5	13.0	15.8	17.2	Rate agitation. Increased fares to help earnings.
La Clede Gas Lt.	119	33	36	0	0	9.2	11.2	8.6	4.5	1.3	3.6	Adversely affected by increased costs.
Mackay Co.	91	60	61	6	9.8	5.4	6.4	6.0	6.0	6.1	10.0	Affected by sharp competition and possible rate war.
Montana Pr.	115	54	61	3	4.9	3.7	8.5	7.0	6.2	4.3	7.1	Operations for current year to reflect better conditions.
North Amer. Co.	76	37	53	5	9.4	6.1	7.3	6.0	5.4	8.6	16.2	Subsidiary develops large coal mine.
Pure Oil Co. (Par $25)	144	32	38	2‡	5.3	1.9	2.3	6.1	7.5	5.3	14.0	Formerly Ohio Cities Gas; the oil operations show 40% increase over 1919.
Pac. Gas & Elec.	72	29	46	5	10.9	10.5	9.1	5.6	5.2	5.9	12.8	Treasury position very strong; just granted rate increase.
Pac. Tel. & Tel.	44	17	41	0	0	0.6	1.2	1.8	2.0	—0.6	0	Makes important improvements.
People's Gas Lt. & Coke	118	29	29	0	0	8.4	5.4	—0.9	—3.5	0.2	0.7	Unfavorably affected by municipal regulation.
Phila. Co. [Pitts.] (Par $50)	47	21	37	3	8.1	4.4	5.1	6.2	4.2	3.2	8.7	Oil department in very favorable position.
Pub. Serv. Corp., N. J.	137	55	55	4b	7.4	7.9	11.8	7.9	6.1	1.8	3.3	Gas subsidiary recently increased rates.
Rep. Ry. & Lt.	39	8	*7	0	0	3.0	3.6	5.9	—3.0	—1.0	0	Earnings improving. Subsidiary granted fare increase.
So. Cal. Edison	91	73	*80	7	8.8	6.7	8.6	8.0	7.4	7.2	9.0	Rate adjustment to offset high costs.
Stand. Gas. & El. pfd. ($50)	43	34	*35	4c	11.4	3.1	5.0	3.7	3.3	8.0	22.8	Oil subsidiary proving very profitable.
Third Ave. Ry.	69	9	11	0	0	4.2	6.0	—10.0	—2.7	—4.3	0	Earnings continue unsatisfactory.
Twin City Rapid Transit	99	30	*34	2½	7.4	6.8	9.2	6.0	2.2	2.6	7.7	Increase of fare to help earnings.
United Lt. & Ry.	55	18	*16	0d	0	2.4	4.4	4.2	—0.4	6.0	37.5	Upward tendency in earnings. Subsidiaries' customers increase.
United Ry. Inv., pfd.	40	10	21	0	0	3.1	3.5	4.5	3.4	3.2	15.2	To benefit by prosperity of subsidiaries. Reorganization strengthens company.
Western Power, pfd.	79	46	*60	6e	10.0	8.4	9.6	9.4	11.9	17.8	29.7	Heavy demand for output in this territory.
Western Union Teleg.	106	76	84	7	8.3	10.2	13.6	14.4	11.6	13.1	15.6	Direct service to South America to be of great benefit.

‡ Also 8% in stock payable quarterly. † Stock extra 7%. a Paid 12% in stock in 1919, 10% in 1920. b Omitted last quarterly dividend in 1919. c Paid 13% in common stock in 1919, 3% in 1920. d January, 1920, dividend passed. e Dividends accumulated 12½%.
* Bid price.

Public Utility Situation Takes Decided Turn for Better

Evidences of More Hopeful Outlook Increasing—Wise Investing in This Group Believed to Offer Great Possibilities

By **J. L. CHEATHAM**

CIRCUMSTANCES have combined in late years to handicap the progress of our public utilities. Hostile public sentiment burdensome, and, in some cases, backbreaking legislation, the war, with the drastic changes it wrought in prices, and last, but most important, the attitude of the laboring classes, have all conspired to set the utilities years back in their operations, their efficiency and their earning power.

In recent months, however, the situation has undergone a very decided change for the better. Present indications all point to the conclusion that operating costs have about reached their peak. Improved methods of operation have been instituted by many companies, and the resulting economies will at least partially offset recent increases in the costs of labor and materials.

Of greatest importance is the fact that the public, awakening from a kind of stupor, is at last beginning to realize how closely its own interests are linked up with those of the public utility companies. Through the maze of reorganizations, labor disputes, higher-fare pleas and what not, it is slowly dawning upon the man on the street that there is no corporate enterprise more essential to his welfare than the public utility.

Another feature speaking well for the future of public service corporations, is the development of saner ideas as to their regulation as well as to the personnel which may properly constitute the regulatory bodies. Regulation is today being accepted as an established institution having for its ultimate object the public benefit; and, slowly but surely, it is becoming a recognized fact that when you "regulate" a corporation you assume the responsibility of maintaining its own integrity as well as defending the rights of the people it serves.

The day does not seem far off, in fact, when the public will be wise enough to remove regulatory bodies as far as possible—and much further than they are today—from the active political field, on the obvious assumption (which must eventually become public knowledge) that politics and public service do not mix.

These actual or prospective changes for the better in the operating conditions surrounding the public utilities have yet to be reflected in the market prices of their securities. As a result, it is the opinion of not a few authorities that the field now offers unusual investment opportunities.

The securities of many corporations which successfully weathered the difficulties arising during the war are available at exceptionally low prices. Good possibilities for development are even to be found among the companies which suffered most from the war—companies which should gradually readjust their affairs on a sounder basis than ever before.

But the investor who wishes to take full advantage of the opportunities offered in this group will be very unwise to plunge blindly into the game and selects his stock at random. The situation that prevails today is one which it will take the strongest companies years to work out of. There are some concerns which, unless all signs fail, still have reorganization to face before prosperity can be reached. Self-education and the most careful discrimination must be exercised by the investor who would do the "right thing at the right time."

Believing in the ultimate future of our utilities, and with the purpose in mind of assisting investors in separating the wheat from the chaff, it will be my effort to review the public service companies which, in my opinion, offer the greatest inducements to funds it is desired to plant where they will have some chance of growing. Because of the breadth of the field and the varying conditions under which the different branches operate, it is impossible to adequately cover the subject in a single article. Therefore, it seems best to discuss separately, first, each branch of the service—electrical communication, light-heat-and-power, hydro-electricity, traction, etc.,—and, thereafter, the leading company in each of these branches.

Some companies will be omitted. For example, although the railroads are, strictly speaking, public utilities, investors like to consider them as a separate class. Also, numerous small companies, whose issues were put on the market by reputable interests and which, from the point of security of principal and stability of income, are fully the equal, if not the superior, of some of the more widely-known concerns, will not be reviewed. However, the conditions that affect such companies as are analyzed may, of course, be interpreted as proportionately applicable to all in the same class.

Such space as is available in this article will be devoted to the prospects in general facing the individual branches of the public utility field.

Electrical Communication

Probably the public utility branch which affects most directly the daily life of the community, and of which each individual makes the largest daily use, is electrical communication. The great expansion in business in recent years would never have been possible but for the aid of the telephone and the telegraph.

The numerous small companies which started out at the beginning of this enterprise were soon consolidated. Today the combined system, controlled under the holding company, the American Telephone & Telegraph Company, is the largest and the most stupendous of any of the public utility corporations.

While formerly there was a discussion favoring the nationalization of wire companies, the experience during the war period has shown the folly of such a procedure. Americans who experimented while abroad with the European telephone systems came home singing the praises of the service here in the United States. No one who has ever tried both systems has ever declared for government operation of the telephones.

Light, Heat and Power

From the investment standpoint, light-heat-and-power companies as a class probably represent the strongest of all the public utility corporations. Reports from all over the country indicate that the increase in gross earnings from additional business and from increases in rates was at least sufficient to offset the increases in operating expenses. The rates charged by these companies are sufficiently flexible to permit gradual readjustment of income to meet successfully all changes in conditions and all increases in costs of labor and materials, and the prospects are that corporations providing light, heat and power will enjoy unparalleled prosperity in the future.

There has been an enormous increase in electrically driven machinery within the past few years. The ease of operation, the small expense of installation, the small amount of labor required for operation, and the increasing cost of fuel and labor necessary to other systems, have made the use of central station power the ideal means of plant operation. Large central stations have demonstrated their ability to produce and distribute power at such an economical rate that their position is permanently assured.

There is a general tendency among progressive electric light and power companies toward the elimination of inefficient generating plants. This is being accomplished largely by interconnection, which serves to make the load factor of the power equipment more economical, and thus utilizes the operating plant to its best advantage.

It has been estimated that, by future developments of water power and the location of large steam driven electric stations at tidewater and at points near the mouth of mines, the present power requirements could be served by one-third of the present generating capacity and the coal saving would be upwards of 30,000,000 tons a year.

Hydro-Electric Systems

The water-power, hydro-electric, plant while under the light, heat and power division is such an important branch and one for which the future promises so much

that a separate discussion is necessary. The huge network of water-power plants has only begun to use the water-power possibilities of this great country. As year by year we come more and more to appreciate the limitations of stored fuel and to realize the wasteful practices we have pursued, the necessity of providing for the future forces itself upon us and we turn to the vast water resources for a possible solution. Through the ages the loss of power raised by the sun to run unused into a dead and thankless sea is the only irretrievable loss which civilization knows and it is high time this loss were converted into a gain.

Interconnection in these hydro-electric systems is only in its infancy and the future will see great strides in electric transmission of power whereby there will be exchanges of energy between independent watersheds and seasonal interchange of great blocks of power which should make the system flexible and the load factor more uniform, thereby increasing the efficiency of the gigantic network and reducing wasted energy.

Even now the hydro-electric companies are among the strongest financially and to the foresighted investor who not only appraises the company on its present assets but who looks to the future worth of its equities these corporations should make a very strong appeal.

The water-power companies have benefited largely by the relatively small use of labor and fuel; in addition the rising cost of power produced by steam has increased thet salable value of hydro-electric power. The intrinsic soundness of the business of these companies should be fully realized and the difficulties encountered by street railways should not overshadow the whole public utility field.

Tractions

Street Railways as a class have suffered more than any other of the public utilities from conditions brought about by the war, however; there are some traction situations which merit confidence. While a few companies have a hopeful outlook, there are many others which require drastic local adjustments before the securities of these lines are brought into a position warranting the investment of funds.

The present census is showing enormous increases in urban population and during the past decade there has been but little increase in traction mileage, which has resulted in a stunted growth with insufficient facilities. The electric railway industry bears vital relation to city development and to land values and any impairment in its service or any curtailment in expansion is quickly reflected in values.

One of the serious impediments to the development and extension of street railways is the competition by private automobiles and by the auto-bus.

The Federal Electric Railway Commission has just recently recommended sweeping reforms in this business whereby it is hoped that public confidence and credit may be restored. They recognize the seriousness of the competition of the auto-bus service and state that these two services cannot permanently exist and pay their own way in competition with each other under ordinary urban conditions but suggest that the motor-bus may properly be used to supplement the service rendered by the street car. All transportation service is for the public and unnecessary and destructive competition ought not to be permitted.

To meet the necessary improvements and additions for keeping the street car service up to the needs of the community required an increased rate and the increases which have been granted have not, as a rule, been out of proportion to the increase in the wage scale. This fact is not generally understood, and when the normal rate of fare is increased there is usually some reduction in the volume of riding. However, in cities where an increase in fare has been in effect for a reasonable period the volume is gradually returning to its pre-war basis.

It is fundamentally true that the people as a whole have a keen sense of justice and in the long run will arrive at a correct decision. The public is entitled to and will insist on reasonable rates, but it is willing to pay for good service.

The general public realizes that a complete and unified system of transportation is an essential without which the business of the community must cease. Such a service to permit the greatest development, especially in large and complex communities, must primarily depend upon the use of tracks in public streets, on elevated structures or in subways.

Material progress is being made toward readjustments and the street railway systems are slowly but surely securing financial relief and improving their methods of operation, which, especially among the stronger concerns, promise ultimately to bring satisfactory results.

As stated before, the subdivisions of the public utility field briefly reviewed here will be subsequently discussed in detail and analyses of several important companies made. Every effort will be made to assist the careful investor in his selection of sound securities in a group which promises to one day regain its former commanding position. For the present, attention may be properly called to our Indicator of Public Utilities, on another page, which contains the outstanding facts concerning the more important companies.

World Peace Depends on Solution of Oil Problem

(*Continued from page 670*)

a committee was appointed to 'study the status of raw materials during the period of economic balance, which status shall be based upon the principle of economic fairness for all countries.' We recommended that laws, regulations, or administrative acts which tend to retard the development of the petroleum resources of the world be either repealed or revoked, and that equal privileges in all parts of the world be granted the nationals of all countries in the production of this great, useful natural resource, so vitally essential to the world's progress.

World Peace at Stake

"The future peace of the world," Director Manning commented, "requires that as a general principle any alien territory which has been or may be acquired should be held and governed in such a way as to assure equal treatment to all nations. We are facing a petroleum problem which demands serious consideration by all nations working as a unit and capable of immediate application. We are facing a situation that must be solved by American oil men who have been the pioneers in this business, and it is not through any sense of proprietorship that they ask an entry into foreign lands to develop the oil resources of nations whose capital and talent are restricted. These men are really inspired by a desire to benefit the world by seeking to perpetuate an industry which is one of the greatest assets to humanity.

"A rule of action enunciated by Thomas Jefferson was in principle, 'that the American citizen abroad owes and discharges tax and military service to the United States. The United States owes and must discharge to that citizen the duty of protecting him in his life and property.' This is good Americanism. It means neither war nor commercial destruction. It really means peace and prosperity between nations. Venturesome oil men will be loath to risk their investments in the acquisition of properties when changes in governments, retroactive legislation, or empirical legislation works toward the abolition of their acquisitions. In my opinion, our government should continue to insist on the open door policy in all countries and when this policy is conceded, effective means should be provided to protect such rights acquired by American citizens.

America the Greatest User of Oil

"We are more vitally interested in foreign oil development than any other race because we are the largest users. Graphically the two curves, production and consumption, have crossed. For years the United States has been an importer of crude oils to meet the domestic needs. One can get a picture of the probable ascent of the consumption curve in our predominate use of combustion engines; our possession and use of approximately six-sevenths of the motor-driven vehicles of the world; the proposed and partly accomplished use of fuel oil for steam generation in our Navy, Army, Marine, railways, industrial and heating plants, to appreciate the gravity of the situation. The Navy, it seems, should have a preferential call on oil for its bunkers because of its many advantages over coal. These were demonstrated during the war with the result that other nations are now convinced of its desirability. The inevitable result has been a scramble on the part of the great nations to maintain sources of petroleum.

"The former self-sufficiency of the United States," Director Manning concluded, "because of its relatively large production has made our nationals rather backward in acquiring foreign oil fields, particularly where not contiguous to our own borders. Some few United States

(*Continued on page 735*)

Drastic Reorganization of Big Buffalo Utility

Non-Subscribing Holders of Collateral Trust Bonds Forfeit Entire Equity

By **R. K. MASON**

PROBABLY the most drastic reorganization of any traction company in the past twenty years has just been consummated by the International Traction Company of Buffalo. It is the company's second receivership within ten years. The declining purchasing power of the nickel fare would probably have brought the company into its present financial difficulties in any event, as it was not until after a receiver had been appointed that the company was allowed to increase its fare from 5 to 7 cents; but the overgenerous dividend policy of the former management probably hastened the crisis.

The International Traction Co. owned the entire capital stock of the International Railway Company, operating the electric street railways in Buffalo, as well as the lines connecting Buffalo with Niagara Falls, Lockport, North Tonawanda and Tonawanda, and the local systems in these cities. In all, the system covered a total of 398 miles, of which 223 miles were in the City of Buffalo.

There were $10,000,000 common, $4,468,000 7% preferred, $531,000 4% preferred, and $18,335,000 of the collateral trust 4% bonds of the International Traction Co. outstanding. The bonds were secured by the entire $16,320,500 capital stock, $4,344,000 refunding and Improvement 5% bonds of the International Railway Co., the operating company, and $640,500 first mortgage bonds of the subsidiary companies.

Protective Committee Formed

When, in December, 1918, it became apparent that the International Traction Co. would not be able to pay the January 1, 1919, interest charges on the collateral trust 4s, a bondholders' protective committee was formed. This committee consisted of a number of very able bankers, and so won the confidence of the bondholders that over 98½% of them deposited their bonds.

The committee then bought in the property for $2,000,000 at the foreclosure sale, the holders of the $225,000 undeposited bonds receiving $112 a bond for their equity.

Since purchasing the property, the protective committee has done much towards rehabilitating it. The members endeavored to find some one whom they felt could be relied upon to put the organization back on its feet, and were fortunate enough to secure Mr. Thomas E. Mitten to undertake the task. One of the conditions under which Mr. Mitten assumed this responsibility was that the stock be placed in a five-year voting trust, thereby assuring him of full authority during the time he is in charge.

Through Mr. Mitten's efforts the fare was increased from 5 to 7 cents, and while this has resulted to date in a decrease of 14% in traffic, the increase in income is running at the rate of $1,000,000 a year. Owing to the great increases in the cost of operation and the failure of the former management to make adequate reserves, however, the railway company has an operating deficit of over $2,000,000.

The supplemental indenture to its refunding and improvement 5% bonds provides that the railway company shall not issue any additional bonds under the mortgage until its earnings for a period of twelve consecutive months shall have equalled $800,000 over all charges ahead of the stock. It was accordingly imperative to make provision for more than the immediate financial needs of the company. The operating deficit must at some time be taken care of, and probably the most urgent need was to provide for necessary renewals and new construction.

Plan of Readjustment

The readjustment lately agreed upon of the financial structure of the International Railway Co. called for increasing the capital stock from $16,707,500 to $17,195,000, an amount equal to 95% of the principal of the 4% bonds of the International Traction Co., which have been deposited under the protective agreement. Provision was also made for exchanging all of the stock of the International Railway Co. for the voting trust certificates issued under the five-year voting trust agreement.

No provision was made for the stock of the International Traction Co. Each of the depositors of $1,000 of the International Traction Co. collateral trust 4% bonds was given the privilege of purchasing $200 in principal of the refunding and improvement 5% bonds of the International Railway Co. for $100 plus accrued interest, and also the opportunity to purchase voting trust certificates for 9⅕ shares of stock for $100. Under this severe reorganization, the only value remaining to the old collateral trust 4½ bonds of the International Traction Co. was the privilege of subscribing to the new securities, while the non-subscribing bondholders did not get any of their former equity. As both the stock and bond issues were underwritten, the plan was not dependent upon being accepted by the bondholders.

The bondholders who elected to pay the full $200 per bond will receive $200 in the bonds of the International Railways Co. at 50 and 9⅕ shares of stock at $10.50 per share.

How Earnings Are Running

At the present time earnings of the International Railways are running at approximately $400,000 per annum, after interest charges on all its bonds and the $2,100,000 bank loans are taken care of. This is at the rate of 2½% on the $17,195,000 outstanding stock.

The financial status of the International Railway Co., after the new financing goes through, gives the new management cash on hand of $5,750,000, together with securities in the treasury having a market value of $650,000, making a total of $6,400,000. Against these assets there are bank loans totalling $2,100,000, compensation to the protective committee of $100,000, and estimated expenses for improvements during the remainder of 1920 of $300,000, or a total of $2,500,000, leaving a net balance of $3,900,000. Thus the company has sufficient funds to take care of improvements, which program calls for an expenditure of $1,500,000 in 1921.

Conclusion

All the difficulties of the traction companies have by no means been overcome. It would seem, however, that the people as a whole are beginning to realize that rates which were formerly sufficient are no longer adequate to keep corporations of this kind operating efficiently.

Approximately three-fourths of all the cities in the United States having populations of over 25,000 have authorized increases in fares, regardless of franchises, and many communities are now working out rate bases which will give the traction companies a proper return upon their invested capital.

This is the idea along which Mr. Mitten is now proceeding, and he hopes to have the properties of the International Railway appraised and rates adjusted so that they will give a return of 6% on their replacement values.

The refunding and improvement 5% bonds of the International Railway Co., under the present financial structure of the company, seems to deserve a fair rating. Earnings should continue to show a favorable margin over interest charges. These bonds are selling over the counter at around 55. The stock quoted around 15, and unlisted, now looks to be a long way from dividends.

Mining Securities

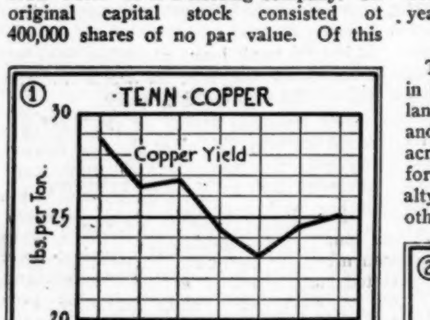
Tennessee Copper & Chemical Corp.

Tennessee Copper Has Yet to Make Good

Litigation and Poor Results of Subsidiaries Mar Company's Record—Outlook Not Promising

By **C. S. HARTLEIGH**

THE Tennessee Copper & Chemical Corporation was incorporated Oct 14, 1916, under the laws of the State of New York. It is a holding company. Its original capital stock consisted of 400,000 shares of no par value. Of this

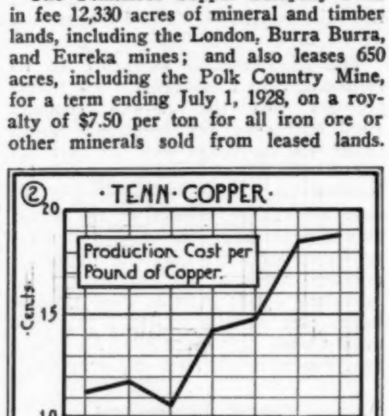


stock, 189,215 were issued in 1916 to provide for the exchange, share for share, of stock of the Tennessee Copper Company, which was incorporated April 24th, 1899, under the laws of New Jersey. Stockholders of the Tennessee Copper Company were permitted to subscribe to stock of the new Tennessee Copper & Chemical Corporation at $16 a share, and 203,732 shares were sold under this arrangement. The holding company now owns over 96% of the capital stock of the Tennessee Copper Company.

In June, 1919, the capital stock of the Tennessee Copper & Chemical Corporation was increased to 800,000 shares, of no par value, by the issuance of 400.000 new shares which were offered to stockholders at $12.50 a share. The purpose of the increase was to provide funds for the entrance of the company into the fertilizer business, thus assuring a permanent outlet for a substantial portion of its sulphuric acid production. The Southern Agricultural Chemical Corporation, of which the Tennessee Copper & Chemical Corporation owns all the capital stock, was organized to handle the new business. Of the authorized capital stock of the holding company, 792,947 shares are outstanding. All of the capital stock has been placed in a voting trust for five years.

What the Company Owns

The Tennessee Copper Company owns in fee 12,330 acres of mineral and timber lands, including the London, Burra Burra, and Eureka mines; and also leases 650 acres, including the Polk Country Mine, for a term ending July 1, 1928, on a royalty of $7.50 per ton for all iron ore or other minerals sold from leased lands.

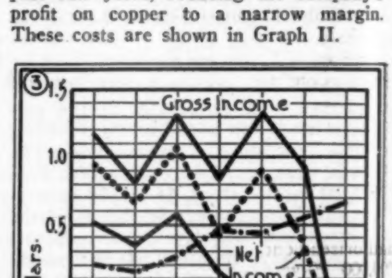


The company holds a lease on the School ore property, which expires in 1937. The mines are all located in Polk county, Tennessee. The company owns 7½ miles of railroad connecting the mines with the smelter. The company's smelting plant consists of seven blast furnaces, and four converters having an annual capacity of 20,000,000 pounds of copper. It also owns a large plant for the manufacture of sulphuric acid from blast furnace fumes, having a capacity of 250,000 tons.

During 1919, Tennessee Copper performed 4,774 feet of underground development work consisting of 2,680 feet of drifts, 1,482 feet of raises and winzes, 471 feet of shafts, and 141 feet of crosscuts. During the same period 20 diamond drill holes were drilled having an aggregate length of 2,708 feet, and costing $3.34 per foot.

Production in 1919

The ore production for the year amounted to 378,390 tons, at an average cost of $1.53 for mining and $0.31 for development, or a total cost of $1.84 per ton. The ore reserves on Dec. 31, 1919, were estimated at 4,892,556 tons of developed ore, including 130,000 tons broken ore in stopes. During 1919, the ore yielded about 25 pounds of copper per ton of ore. Production statistics of the company for the past seven years are shown in Graph I. Production costs, per ton of ore treated, and per pound of copper produced, have increased rapidly during the past few years, reducing the company's profit on copper to a narrow margin. These costs are shown in Graph II.



The Southern Agricultural Chemical Corporation is constructing a modern steel and concrete plant at Atlanta, Georgia, for the manufacture of acid phosphate and other fertilizers. This plant will have an initial capacity of 100,000 tons of acid phosphate per year, and is so designed that this tonnage can be increased when desired. The plant was expected to enable the company to enter the fertilizer business, during the latter part of 1920,

(*Continued on page* 721)

One of the Five Leading American Silver Producers

Unceasing Efforts of the Late Grant B. Schley Put Howe Sound in Vanguard of White Metal Producers

By L. F. GEORGE

THE late Grant B. Schley was one of the elect few who lived to see the realization of their fondest dreams. Pinning his faith to what was originally nothing better than a hole in the ground, known as the Howe Sound Company, he saw it develop during his lifetime into one of the first five silver-producing companies in the United States. So great was Schley's confidence in the potential possibilities of the corporation that, for the benefit of the stockholders, he gave much of his time for many years as chief executive without remuneration. However, although he was himself a large stockholder, he derived no income from his investment, as dividends were not inaugurated until after his death.

The value of Mr. Schley's services is more readily apparent when it is noted that he brought to the Howe Sound Company the value of many years' association with a number of other successful mining corporations, among them the American Smelting & Refining Company, Pittsburgh Coal Company, Republic Iron & Steel Company, and Northern Pacific Railway.

The Howe Sound Company is a holding corporation, owning all the outstanding stock of the Britannia Mining & Smelting Company, Ltd., which in turn owns the Britannia Power and the Howe Sound Power Company, operating in British Columbia. It also owns 53,800 of the 60,000 shares of the El Potosi Mining Company in Mexico.

The capitalization of the company consists of 3,000,000 shares of $1 par value, of which 1,984,150 shares are outstanding. Out of an authorized bond issue of $6,000,000 20-year 6% bonds, $5,380,000 were sold to purchase the El Potosi properties in Mexico. Of these bonds, $1,076,000 have been retired through the operation of the 5% annual sinking fund, leaving a balance of $4,304,000 now outstanding. The remainder will be redeemed by the sinking fund prior to their maturity in 1936. Dividends were started in April, 1918, with the payment of 5 cents a share, and quarterly disbursements have since been maintained at this rate.

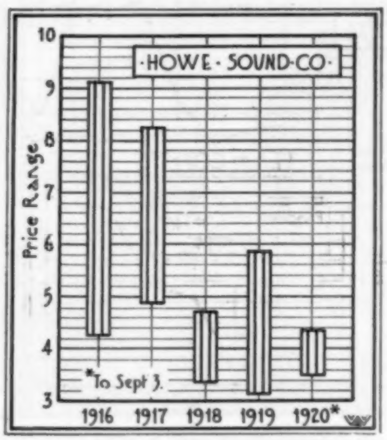
Canadian Properties

The Canadian properties, which were the nucleus of the Howe Sound Company, have been added to from time to time, and now consist of 25,186 acres of mineral claims and 4,366 acres of timber licenses, located on the shores of Howe Sound, British Columbia. Approximately only 100 acres of the 25,000 acres have been developed. The possibilities of the remaining acreage promise to take care of development during the next one hundred years.

Ore in sight on which all mining costs have been applied, exclusive to tramming to the railroad connection for delivery to the flotation mill, amounted to 1,862,196 tons on December 31, 1919, with an average copper content of 3%. This ore was increased last year by 280,000 tons. This inventory amounts to a gross of nearly 112,000,000 pounds of copper, with a probable recovery of 90%, and alone is sufficient for nearly six years' production based on the output of 1919.

The expense of mining this ore has been charged against previous earnings, and it can be prepared for the market at a small percentage of its selling price.

The magnitude of the Howe Sound property has necessitated a commensurate amount of expenditure for equipment of a permanent nature. This equipment, consisting of concentrating mill, compressors, plant, power plant, machinery, etc., has cost upwards of $4,000,000, which is equivalent to over $2 per share on the outstanding stock.



HOWE SOUND CO. PRODUCTION.

	1915	1916	1917	1918	1919
Copper (lbs.)..	9,058,045	16,288,685	16,357,329	18,322,482	17,330,944
Lead (lbs.)....	....	....	....	10,042,260	14,724,614
Silver (ozs.)...	50,306	91,905	2,500,244*	3,375,824	2,937,087
Gold (ozs.)....	396	791	992	3,045	4,350

*1917 first year to show production from Mexican properties.

Mexican Holdings

The purchase of the Mexican properties in 1915 has proved a very profitable investment. They were acquired through the purchase of approximately 90% of the stock of the El Potosi Mining Company at $100 a share.

The El Potosi Mining Company property is located in the Santa Eulalia district, Chihuahua, Mexico, within twenty miles of Chihuahua City, and is one of the richest and most important lead-silver mines in northern Mexico. The El Potosi company owns nearly all the outstanding stock of the Chihuahua Mining Company, which in turn owns adjoining property, and is one of the oldest producers in that district. The total mining claims of the two companies comprise a little over 400 acres. The El Potosi was a large earner and paid dividends for many years prior to being acquired by the Howe Sound Company.

Owing to the political upheaval and the general unrest in Mexico, these properties were not operated on any extensive program until early in 1917, and it was in that year that Howe Sound first received any material income from its Mexican subsidiary.

Since the resumption of operations in 1917, the mines have been worked practically without interruption, the various revolutionary forces and the existing Governments having in no way interfered with the functions of the company. The wisdom and foresight of W. J. Quigly, manager of these properties, have created a trust and a confidence on the part of the employees in general, and the Mexican miners in particular which has eliminated labor difficulties of all kinds. Wages have been voluntarily increased from time to time, and working conditions have been materially bettered by the erection of a church, hospital, bathhouse and schools. These have brought about a feeling of goodwill among the workmen which has redounded to the benefit of the company.

Conclusion

There are many items which reflect the attractiveness of the stock of the Howe Sound Company. The company has separate silver and copper properties, allowing it to take advantage of high prices in either metal, without sacrificing the other; less than one-quarter of one per cent of its copper holdings have been developed, guaranteeing a long life to the mine; estimates of the silver properties are based only on values to the 1,200 foot level, although paying ore has been found on the 1,600 and 2,200 foot levels; also, from the fact that the properties are carried on the books at less than $8,000,000, upwards of $6,000,000 has been generously set aside for depreciation and depletion.

The net value of less than $2,000,000, at which the mines are carried on the balance sheet, is less than half the price paid for the Mexican properties alone; this, together with the fact that earned surplus is equivalent to nearly $2 a share on the stock, and the further fact that earnings warranted the payment of dividends several years before their inauguration in 1918, gives evidence of the ultra-conservative nature of the management, and explains why the stock has continually sold at several times its par value.—vol. 26, p. 38.

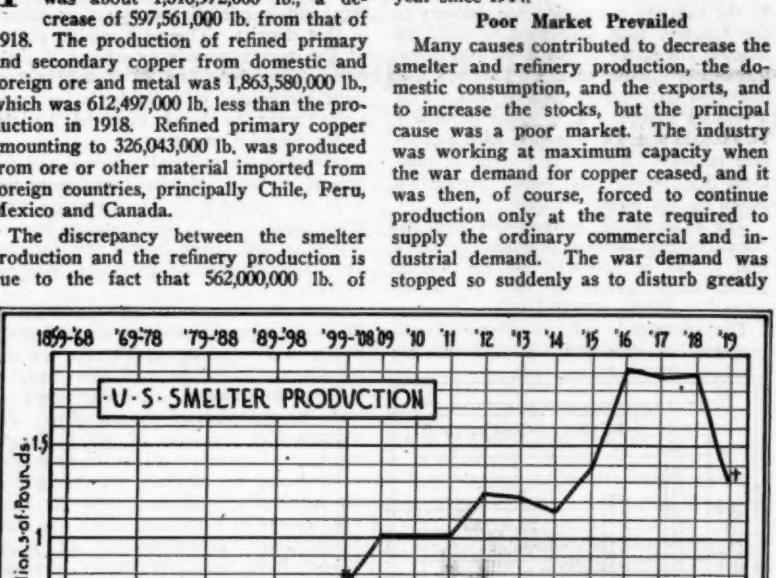
Copper's Troubles in 1919

High Wages, Collapse in Foreign Demand and Heavy Supplies Hit Industry Hard—Future Depends on Improvement in Other Lines

***By* H. A. C. JENISON, U. S. Geological Survey**

THE smelter output of copper in 1919 was about 1,310,972,000 lb., a decrease of 597,561,000 lb. from that of 1918. The production of refined primary and secondary copper from domestic and foreign ore and metal was 1,863,580,000 lb., which was 612,497,000 lb. less than the production in 1918. Refined primary copper amounting to 326,043,000 lb. was produced from ore or other material imported from foreign countries, principally Chile, Peru, Mexico and Canada.

The discrepancy between the smelter production and the refinery production is due to the fact that 562,000,000 lb. of blister copper and other material was in process of refining at smelters and refineries or in transit on January 1, 1919, and though it was smelted in 1918 it was not refined until 1919.



In 1919 the imports of copper in all forms amounted to 429,388,000 lb., and the exports of copper in all forms amounted to 516,628,000 lb., which was 231,062,000 lb. less than the exports in 1918 and 616,205,000 lb. less than those in 1917. The exports in 1919 were less than in any year since 1907.

Increased Stocks on Hand

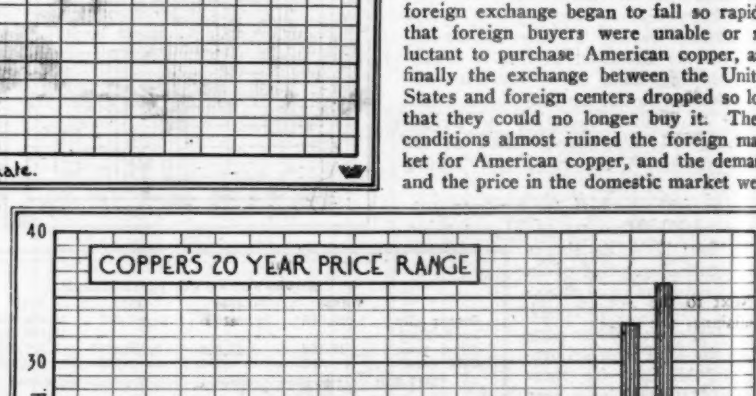
On January 1, 1919, the stocks of refined copper were 180,000,000 lb., and on January 1, 1920, they were 631,000,000 lb., an increase during 1919 of about 451,000,000 lb. The stocks on January 1, 1920, were several times greater than they have ever been before.

In addition to the stocks of refined copper in hand about 310,000,000 lb. of blister copper and material was in process of refining at smelters and refineries or in transit on January 1, 1920. This estimate does not include blister in foreign smelters destined for the United States for refining nor material in transit to the United States from such smelters.

The apparent domestic consumption in 1919 was about 676,564,000 lb., which is 785,106,000 lb. less than that in 1918 and less than the domestic consumption in any year since 1914.

Poor Market Prevailed

Many causes contributed to decrease the smelter and refinery production, the domestic consumption, and the exports, and to increase the stocks, but the principal cause was a poor market. The industry was working at maximum capacity when the war demand for copper ceased, and it was then, of course, forced to continue production only at the rate required to supply the ordinary commercial and industrial demand. The war demand was stopped so suddenly as to disturb greatly the trade and industrial conditions, and the prospects for the immediate future appeared so uncertain that few industries were able to continue production without first decreasing it greatly and reorganizing, to some extent, their industrial mechanism.



Split Between Prices and Costs

Under the peace-time conditions the demand for copper was small and the average price soon fell from 24.7c. to about 15c. a lb. This price was far below the actual cost of the production of a very large part of the previous year's output. All smelters and mines were forced to decrease production. Some were shut down entirely; others were operated at the minimum capacity that would keep the organization intact and the equipment in proper order. Much of the copper in stock could not be profitably held, and the placing of a large part of it on the market kept the price down, though it showed a tendency to rise when the readjustment set in.

High Wages an Obstacle

The price during the year showed many fluctuations but averaged only 18.6c. a lb., which was about 24 per cent less than the average price in any year since 1915, though the cost of labor and supplies had risen as much as 150 per cent during that time.

The labor troubles in other industries decreased the demand for copper, increased the cost of supplies used by the copper industry, and materially increased the cost of production.

By the time the price of copper had risen high enough to permit the industry to meet these unfortunate conditions foreign exchange began to fall so rapidly that foreign buyers were unable or reluctant to purchase American copper, and finally the exchange between the United States and foreign centers dropped so low that they could no longer buy it. These conditions almost ruined the foreign market for American copper, and the demand and the price in the domestic market were less than they had been at any time for several years. On the whole, the year was an unsuccessful one, and in view of the conditions it is remarkable that the industry remained as stable as it did.

1920 Outlook Uncertain

It is hard to foresee what improvement can be expected in 1920, but the quantity of copper sold in the early part of 1920 indicates that the year will be better than 1919.

Petroleum Securities

Imperial Oil Co., Ltd.
International Petroleum Co.

Tropical Oil Co.

The Southern and Northern Extensions of "Standard Oil"

Aggressive Policy of Imperial Oil Co., Ltd., Gives S. O. of New Jersey Commanding Position in Canada—Tropical Merger Consolidates Southern Interests

By C. N. LINKROUM

FOLLOWING the Supreme Court's decree in 1911 divesting Standard Oil Company of New Jersey from control of 33 of its subsidiaries, the general impression was that the New Jersey Company without its subsidiaries would be only "shell." Upon investigation, however, it was found that the New Jersey Company retained control of 29 other subsidiaries, most of them operating in foreign fields, and that the company itself was an important refiner and distributor of petroleum and its products in this country.

In 1918 net earnings reported by Standard Oil Company of New Jersey amounted to $77,571,348, of which $37,674,286 or almost 50% represented the company's proportion of earnings of affiliated companies after deducting Federal taxes. For the year 1919 the company reported total net earnings of $77,985,685, of which $43,510,736 represented the company's proportion of earnings of affiliated companies before deducting Federal taxes.

The Second Largest Subsidiary

Next to the Standard Oil Company of Louisiana, the largest and most important subsidiary of the Standard Oil Company of New Jersey, is the Imperial Oil Company, Ltd., of Canada, which controls nearly all the petroleum business in the Dominion of Canada, does a large export business and also controls the International Petroleum Company operating in the South American fields.

Imperial Oil, Limited, with the issuance of new stock recently offered to stockholders, will have outstanding approximately $35,000,000 capital stock. The company's net earnings in 1918 amounted to $7,170,686 after taxes on $30,000,000 capital stock, while in 1919 net earnings were reported at $8,350,000 after taxes. Standard Oil Company of New Jersey's 89% proportion of these earnings amounted to $5,554,844 in 1918 and $6,824,158 in 1919.

Imperial Oil, Ltd., has shown a remarkable development in recent years, its greatest expansion dating from the

A PIPE LINE TERMINAL

The picture shows pipes leading from the states of Missouri, Ohio, Pennsylvania and Kansas to the S. O. of N. J. at Bayonne.

A BATTERY OF STANDARD STILLS

This is the latest type of steam still from which naphtha is separated from the crude oil. Each still earns $1,000 an hour, or $24,000 a working day.

time Mr. W. C. Teagle was made president of the company in 1914. Mr. Teagle, prior to that time, had been vice-president of the Standard Oil Company of New Jersey and had had a very successful experience in the oil business. After several years as head of the Imperial Oil, Ltd., Mr. Teagle was made president of the parent organization (Standard Oil Company of New Jersey). At the time Mr. Teagle became president of the Imperial Oil, Ltd., that company was operating only one refinery at Sarnia, Ontario, and under his leadership new refineries were added at Montreal, Halifax, Regina and Vancouver and the capacity of the company's refineries greatly increased.

The company now operates the refineries noted in Table I, which are completely equipped for the distillation of crude petroleum and the refining of its various products.

The output of the company's refineries during the five years ended December 31, 1919 is shown in Table II.

In order to market its products in Canada and Newfoundland, the company operates 885 stations and has approximately 30 gasoline service stations in various large cities. The growth in the company's earnings is shown in the accompanying Table III. From this it will be seen that net income since 1914 has more than doubled.

The company's last available balance sheet, dated December 31, 1918, showed it to be in a strong financial condition. Total assets amounted to $75,169,255 and the surplus amounted to $34,269,133, compared with $30,000,000 capital stock. The company's current assets amounted to $42,335,995, while current liabilities amounted to $10,290,862.

Strong Position in Canada

Imperial Oil Company's position in the petroleum trade of Canada today is stronger than that ever enjoyed by the Standard Oil Company in this country. In Canada a tax is

placed upon the importation of refined products, and this makes it almost impossible for an oil company to do business there unless it imports its crude oil and refines it in that country. The Standard Oil pipe lines serve the Sarnia plant, which is just across the boundary, with crude oil from the principal fields of the United States. The Regina plant receives its raw material principally from the Wyoming fields by tank car, while the Halifax plant receives Mexican crude oil by tank steamers. This plant was built during the war, principally for the purpose of serving the British Navy with fuel oil, but it will continue to do a large export business. The Vancouver plant receives Peruvian crude oil by tankers from the International Petroleum Company.

It is evident that the constant growth in population in Canada is resulting in a steady increase in Imperial's business, and its prospects for a further large growth seem very favorable. Recently the demand for gasoline in Canada has been larger than the company has been able to supply, and it has been necessary for the company to publish advertisements in the newspapers calling upon motorists to curtail their use of gasoline as much as possible.

Where the Company's Growth Will Be

While the company's prospects for growth appear very favorable under present conditions, its greatest possibilities would appear to lie in the development of an oil supply of its own within the Dominion. According to statistics recently issued by the U. S. Geological Survey, it is estimated that Canada should produce approximately 1,000,000,000 barrels of oil. So far only a very small amount of this oil has been extracted from the ground, but Imperial Oil, Ltd., is now very active in its efforts to develop a supply of oil in that country. It is understood that this company has already spent more than $1,000,000 in oil prospecting operations in Alberta, and that it is now drilling 7 wells in various sections in Southern Alberta.

TABLE I—IMPERIAL OIL'S REFINERIES.

Refinery	Bbls. Capacity Daily	Acreage Owned in Fee	Acreage Leased
Sarnia, Ontario ..	9,000	144.90	.60
Montreal	2,000	59.50	None
Halifax, N. S.....	4,000	508.00	None
Regina	2,500	62.50	None
Vancouver, B. C..	2,000	83.33	None

TABLE II—IMPERIAL REFINERY OUTPUT.

Year	Naptha	Refined Oils	Fuel and Gas Oils	Lubricating Oils	Wax	Other Products
1915	447,872	512,086	601,467	381,323	1,904	54,344
1916	767,118	632,444	441,605	329,212	13,627	32,721
1917	1,352,698	830,446	1,165,336	654,758	14,677	132,908
1918	1,717,585	1,115,763	1,684,690	690,584	14,581	169,109
1919	2,097,142	1,093,240	2,006,368	712,281	14,604	434,615

Gasoline, oils and other products in barrels (50 gals.). Scale wax in tons (2,240) pounds.

TABLE III—IMPERIAL OIL'S EARNINGS,* INCLUDING IMPERIAL OIL, LIMITED.

Year	Capital	Dividends Rate	Dividends Amount	Net Income Total	Net Income S.O.Co. N.J. Proportion
1914 / 1915	$10,000,000	10%	$1,000,000	$3,570,950.87	$2,888,905.94
	10,000,000	6%	600,000		
	11,000,000	6%	660,000		
		100% Stock	11,000,000		
1916	22,962,500	......	....	6,046,807.57	4,859,171.11
	23,789,400	4%	951,576		
	24,040,000	4%	961,600		
1917	25,000,000	......	....	5,154,493.61	3,902,980.02
	25,000,000	8%	2,000,000		
	30,000,000	......	....	4,904,501.93	3,799,321.47
1918	30,000,000	16%	4,800,000	7,170,686.55	5,554,844.04
1919	30,000,000	12%	3,600,000	8,330,000.00	6,824,158.00

*Including Imperial Oil, Limited.

It has recently been reported that the company has brought in a well in the Mackenzie Basin, which is located about 1,500 miles north of Edmonton, almost in the Arctic circle. This well is said to have been brought in at 400 feet, with a production of about 10 barrels a day carrying about 40% gasoline. The well in itself may amount to nothing, but it indicates the presence of oil deposits in this region.

Should the company be successful in developing a substantial supply of oil, it would add tremendously to its assets and possibilities. It is apparently in anticipation of such a development that some of the Standard Oil people have invested heavily in the stock and speak very optimistically regarding its future.

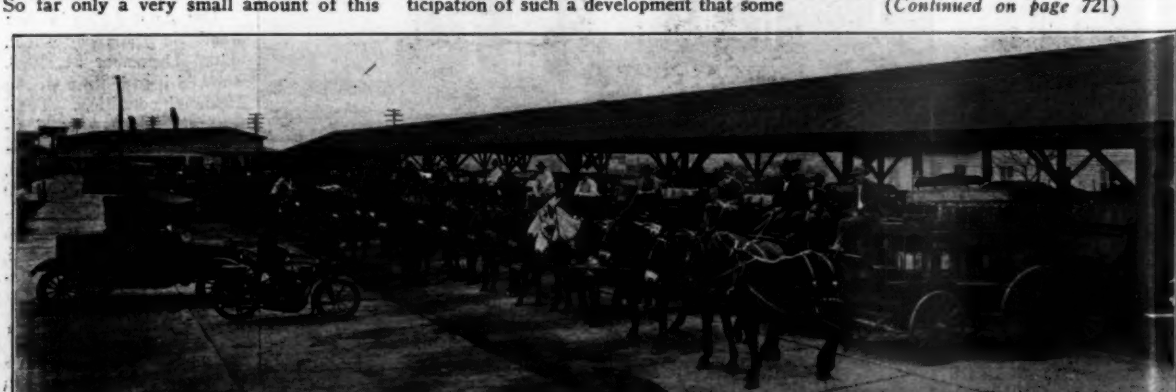
The Merger with Tropical Oil

A very important development in this company's affairs has been the recent completion of plans for the merger of the International Petroleum Company and the Tropical Oil Company. The New International Petroleum Company, Ltd., has just been incorporated in Canada and will issue at least 100,000 shares of preferred stock of $5 par value and 7,118,138 common shares without par value. This company will exchange its stock for that of the International Petroleum Company on the basis of one share of preferred and one share of common for each share of oil preferred, and two shares of common for each share of old common. The company will also give Tropical stockholders 1 1/10 shares of its common stock for each share of Tropical.

The Tropical Company controls what is considered to be the most valuable oil property in Colombia, South America, its concessions covering approximately 2,000,000 acres of land, and the nearest producing wells are located about 350 miles up the Magdalena River. The company is said to have brought in three wells with a combined capacity of about 10,000 barrels a day. It is understood that under the terms of its concession the Tropical Company was obliged to build a small refinery in Colombia and that this plant has about been completed.

The Tropical Company has been developed to its present stage by the Benedum-Trees interests of Pittsburgh. The further development of this property will require

(*Continued on page 721*)



THE SOUTH STILL STICKS TO MULES

Delivery equipment of the retail department of the Standard Oil Co. of Louisiana, owned outright by the S. O. of N. J., and one of the company's most active subsidiaries.

Guenther-Law Agency Admits Nearly $800 Overcharge

Sends Advertiser a Credit Slip—Purpose of Louis Guenther's Attacks Self Revealed—How He Handled the Advertising for the E. S. Dean Get-Rich-Quick Swindle

LOUIS GUENTHER cannot, by a series of falsehoods, and further malicious attacks, divert us from our decision to present additional facts about him and his brother Rudolph.

Having filled columns of the *Financial World* (organ and instrument of the Guenther family) with halftruths and falsehoods about Richard D. Wyckoff and THE MAGAZINE OF WALL STREET, Guenther should not now object to a few statements about himself, his brother and their business practices.

As a result of our previous article showing how Guenther-Law was overcharging an advertiser, Guenther-Law has sent to that house a credit slip for nearly $800. We disclosed an overcharge of about $500. It is therefore evident that their operations were not confined to the items mentioned in the last issue of our magazine. The return of such money to the advertiser is a complete confession of the correctness of our statements.

Guenther-Law is advertising in the newspapers and circularizing brokerage houses, stating that they will be glad to relate the facts to anyone interested. These are the "facts" they are relating:

They say that THE MAGAZINE OF WALL STREET's advertising man went into their office last August and *secured a contract from a girl in the office* (who did not know any better;) that although the advertising in question had been running six months our man requested that she date the contract back to February 7th in order to deliberately ensnare the Guenther-Law Agency!

They claim that after they found they had been "ensnared" they rebated the $800 to the advertiser.

But even if this were true (which it is not), the contract was at the same rate at which we billed the agency *prior to and since February 7th*. How do they explain the fact that their billings to the advertiser for *these same items* were at 65c. a line—at least, as we have shown for the few months prior to the time they were "ensnared."

And how do they explain their overcharge for ads in the New York *Times* which ran back to March?

The Guenther-Law Agency has struck its own death blow.

Out of all the hundreds of people who know Louis and Rudolph Guenther in Wall Street, we have only heard of one who has put in a good word for them since our article appeared. And this man in a letter, attempts to excuse the Guenther-Law overcharges by reflecting on those whom they victimized. This rings so true to the Guenther family character that Louis must have had something to do with the wording of this letter.

Louis Guenther apparently doesn't care what kind of random and irresponsible statements he makes. But so long as he has (after searching through Mr. Wyckoff's activities of over 30 years), again combined into one article all of Mr. Wyckoff's "deficiencies" and "mistakes" we might as well settle these points now. After fighting a one-sided battle for five years, Guenther has become hysterical. He actually confesses that all the attacks he made against the Emerson Phonograph Company were not in the interest of the stockholders, or because of the nature of the enterprise, but because Mr. Wyckoff was connected with it. We quote as follows:

Brazen Falsehoods

"I made no mention of Emerson Phonograph for the very reason that Mr. Wyckoff is no longer actively identified with the management of the business. * * * Mr. Wyckoff to really reflect the truth, might have referred to a stormy meeting of the stockholders some years ago when he himself was requested to turn the business over to men more capable of managing it. * * * Such are the facts and Mr. Wyckoff cannot specifically deny them in face of the evidence I have accumulated."

These statements are absolutely false—and the man actually has the temerity to say "he has the facts."

The real truth, the actual facts, are contained in the following letter which has been sent to Louis Guenther by the "practical phonograph man" of the Emerson Phonograph Company to whom he refers:

September 8, 1920.

Mr. Louis Guenther,
Editor & Publisher, Financial World,
New York City.

Dear Sir:

My attention has been called to certain false statements written and printed by you in your issue of August 30th, in reference to the relations of Mr. Richard D. Wyckoff to this company and its past and present management.

Permit me to say that Mr. Wyckoff organized, financed and managed this business for three years, 1915 to 1918.

During that period he advocated the abandonment of some of the Company's products because war conditions made them unprofitable. He also substituted other and more profitable lines of goods.

Officials of this company who, since its inception, have attended every stockholders' meeting, inform me that there never has been a "stormy" meeting, and no meeting has ever been held at which Mr. Wyckoff has been asked to resign.

Mr. Wyckoff not only voluntarily relinquished the management, but searched for and chose his own successor—myself. With the exception of this and one or two other changes, the identity of those in the management is practically unchanged.

So far as I know or can learn, no stockholder, officer or director ever requested Mr. Wyckoff to turn over the management to someone else.

Mr. Wyckoff is still treasurer of this company, and is furthermore actively identified with the management of the company, as a director and a member of the Executive Committee. As such his judgment and experience have been of material benefit to the company. He attends frequent meetings, is actively in contact with all of our affairs, and being one of the largest stockholders, is keenly interested in the welfare of this company, the business of which is now running into many millions of dollars per annum.

In behalf of the company and its other stockholders, I demand that you either print this letter or otherwise retract your false statements in the columns of your paper.

Yours truly,
(Signed) H. T. LEEMING,
Vice-President and General Manager,
Emerson Phonograph Company, Inc.

Guenther for years pointed to the Emerson Company as a fake and a get-rich-quick swindle. He apparently endeavored to make it impossible for Mr. Wyckoff to finance the company; to discourage the stockholders and cast reflections on the management by every method he could devise. Certain curb operators, when his articles were about to appear, attempted to borrow the stock in order to sell it short and depress the price.

Let Wall Street judge from the above, the character of this man.

With regard to Silver King: The $50,000 that Mr. Wyckoff put into that company was in cash. Mr. Wyckoff never furnished or agreed to furnish services of any kind to that company or anyone connected therewith, directly or indirectly, and therefore could not and did not ever receive a dollar for such services. Guenther speaks of his own "engineer's" report on Silver King, probably referring to one Berger, who writes market letters for a curb house, and who evidently at Guenther's request has attempted to discredit Harry J. Wolf, M. E. and Prof. Peele, the latter having been one of the operating officials in the Silver King mine when it was in operation, and now head of the Columbia School of Mines, and one of the highest authorities on mining

in this country. Prof. Peele assured Mr. Wyckoff that the Silver King was not worked out, and gave him sketches of the underground workings showing where rich ore would be found. Guenther quotes Wolfe's report, but does not even mention Prof. Peele.

We note with amusement that in a recent attempt to reflect on the Richard D. Wyckoff Analytical Staff, he ran a part of this matter under an advertisement of his own "Investor's Service" which he is trying to start—in an attempt to discredit us, coupled with a "subtle" suggestion to "try his."

Guenther refers to the Savold enterprise, in an endeavor to lay it at Mr. Wyckoff's door. But he fails to state that Mr. Wyckoff was neither the promoter, nor an officer or director of that company; that dozens of individuals and firms of high standing underwrote that enterprise; and they never would have touched it had they not believed it to be sound; that one of Rudolph Guenther's associates in his advertising agency was an underwriter and made several thousand dollars' profit out of Savold; that Rudolph Guenther's agency handled the Savold advertising. He also omits the fact that a group of eminent Wall Street bankers had agreed to take over the management and financing of Savold, and that this act of theirs justified what Mr. Wyckoff had done and said about Savold. The agreement was not carried out for good and sufficient reasons. It is absurd and untrue to say that our Trend Letter subscribers lost fortunes on this venture, because the great majority of them either made money or could have sold out at a profit at various times.

Guenther prints a copy of a Trend Letter advertisement six years old, in an attempt to discredit our statement that the Trend Letter had practically never been wrong on the real trend of the market up to that time. Our statement was true, but it carried no claim of infallibility. When, after eight years' operation, the Trend Letter was voluntarily discontinued for purely personal reasons, it had 600 subscribers at $150 per year, and its success was proven by the fact that its waiting list ran at times as high as 200.

Mis-statements and Falsehoods

Guenther states that Magma Copper was Mr. Wyckoff's project, when every well posted man knows that Magma was launched and has always been owned by Col. W. B. Thompson, and his friends, and is conceded to be one of the world's richest mines.

He states that Mr. Wyckoff sold an infallible system for $1000. This is another of his baseless falsehoods recklessly made. Mr. Wyckoff never knew of a system which was infallible. He never owned or had any right to sell, and never sold or offered to sell any such system as Guenther mentions or *any* system for $1,000 or any other price.

In his further desire to injure Mr. Wyckoff he mentions the American Precious Gem Company, a concern of which Mr. Wyckoff never heard. If he refers to another company in that line of business, Mr. Wyckoff was not an officer or director or otherwise connected with that company, but about fifteen years ago sold a small quantity of this stock in connection with the brokerage business which he was then conducting.

Concealing the Truth

Guenther makes a similar attempt to injure Mr. Wyckoff's character by referring to a vending company, for which Mr. Wyckoff raised a little money at the request of Clinton M. Hall, a member of the New York Stock Exchange and then a partner in the firm of W. C. Langley & Company. This was in 1915, at the time the Stock Exchange was closed. Hall either furnished or approved the figures which appeared in the prospectus of the enterprise, which was of the same type as the Auto Sales Company now listed on the New York Stock Exchange.

But Louis Guenther hides the fact that when the enterprise failed as a result of the war and that although Mr. Wyckoff was not in the slightest degree obligated to do so, he voluntarily gave to the fifty odd persons who bought the stocks, between $50,000 and $60,000 worth of Emerson Phonograph Company stock, in order to reimburse them. Louis Guenther knows this well, because he ran an article in his paper which suggested that Vending Company stockholders were exchanging "one piece of paper for another."

"The Fraud Case"

He omits to state that the only one who refused to accept Mr. Wyckoff's offer was one Ashburner; that Guenther's attorney prosecuted that claim; that Guenther's attorney, one Crowley, threatened Mr. Wyckoff, in an attempt to force the return of $3,000, as to cause Mr. Wyckoff to institute proceedings against Crowley before the Bar Association; that Ashburner was merely Guenther's tool in a libel case which Mr. Wyckoff brought against Guenther. Mr. Wyckoff would rather be the victim, as he was, of Ashburner's attorney's "tearful" plea to the jury of "The Wall Street man vs. the poor investor"—than be intimidated by the threats made by Crowley, or secure the judgment in the lower court through the method employed by Ashburner.

The Appellate Division evidently did not regard Mr. Ashburner's testimony as trustworthy, for they found his story to be untrue that he had been induced to invest in 100 shares of the stock of Gotham Vending Company through representations which he claimed to be false. It appeared by overwhelming testimony that such was not the fact, and if he was unworthy of belief in connection with that investment, it is reasonable to conclude that he was likewise unworthy of belief in his claim that he purchased further stock of that company, relying upon identical representations, which was the claim made in his complaint. In view of the satisfactory evidence that no false representations were made to Mr. Ashburner, the Appellate Division has wiped out part of this judgment, and Mr. Wyckoff is confident that the Court of Appeals, where the case is now pending, will wipe out the balance.

Mr. Wyckoff and Ashburner are the only ones who lost money. Mr. Wyckoff has numerous letters from those who accepted the Emerson stock, in which they expressed deep appreciation and characterized Mr. Wyckoff's action as generous and unprecedented, in view of the fact that these vending stocks were speculative—and they had purchased them as such.

The facts above show clearly that Louis Guenther has persistently circulated stories with the intention of trying to injure Mr. Wyckoff and THE MAGAZINE OF WALL STREET—his unwelcome rival in the financial publishing field. Half truths are often more dangerous than lies. It is upon such that Guenther's attacks have been based.

How Guenther Injures Wall Street

Such articles and such methods as Guenther employs in his vicious campaigns, conducted through the *Financial World*, are doing the greatest possible injury to Wall Street. There are enough people throughout the country who attack the Street and its institutions because they do not understand Wall Street. The financial centre cannot benefit from destructive, but only from constructive educational work.

Who is this Wall Street Anthony Comstock?

Let us examine some of his history in order to ascertain whether he is qualified to occupy the office of Guardian of the Public, to which he is self-appointed.

When he says, in a recent issue of his paper "In such prosperity as comes out of the pockets of misled people, no honest man will envy or take pride," he probably wishes to forget E. S. Dean & Company, a notorious swindling concern which operated in lower Broadway some years ago.

At the request of Mr. Russell Law, of the Guenther-Law Advertising Agency (as explained in our last issue) we reprint herein the front page and text of the Dean circular which extracted from "the pockets of misled people" many millions of dollars.

Louis Guenther must have known that the concern was an absolute swindle. It out-Ponzied Ponzi.

E. S. Dean was a woman. Louis claims that he (through the International Advertising Agency, in which he, his father and brother were interested) was only the "advertising agent" for the concern. His attorney in the Ridgway case admitted Louis Guenther handled the advertising for E. S. Dean & Co. and three or four other similar get-rich-quick swindles, and that Rudolph Guenther handled the advertising for "520% Miller." The photograph of Dean & Company's office shows Louis Guenther dictating a letter to a typist. We do not know whether Louis wrote the circular or not, but at any rate it was effective. Business prospered; so did Louis. He moved from an obscure flat in Harlem to the Hotel St. George—then the finest hotel in Brooklyn—where he maintained an expensive suite of rooms, entertained lavishly, kept horses and carriages, coachman, valet, and butler.

Truly the advertising agency for the Dean Swindle must have been profitable. And truly, as Louis Guenther says "In such prosperity as comes out of the pockets of misled people, no honest man will envy or take pride."

In succeeding issues we shall present additional facts about the peculiar advertising and business methods of the Guenthers.

Circular showing Louis Guenther, now Editor and Publisher of the "Financial World," dictating to a typist in the private office of E. S. Dean & Co., a notorious get-rich-quick concern which operated in lower Broadway some years ago. In order to appreciate its character, the circular should be carefully read through

OFFICE OF

THE E. S. DEAN COMPANY,

STOCK BROKERS,

35 BROADWAY,

Cable Address:
DINGWALL, NEW YORK.

______________ NEW YORK.

300 TO 400 PER CENT. YEARLY PAID IN CASH TO YOU EVERY TWO WEEKS.

Be Honest . . . . . .
Reason with yourself!

HOW can you make money honestly—without risk? Do you know that $1000 placed through the Dean Safe System of Speculation a year ago would be over $4000 to-day? The average profits on it would be sent to you in cash every two weeks—$125 semi-monthly is a good income on every $1000. Think of $10 a day—is what your money would earn—are you making that clear each week-day with your brains?

MANAGER'S PRIVATE OFFICE. THE E. S. DEAN COMPANY.

GETTING RICH.

FOR years people have been quietly getting rich through us. We can point out the persons in nearly every town in the United States.

RISK,

ARE you taking any risk now in order to get rich? Where is your money? Have you $25? Even that in a few years would net you thousands if allowed to compound. Is your money in merchandise? If so, you are working hard to sell it, and taking great chances of loss from fire, bad debts, bad business, shrinkage in values, and many other ways, and with all these chances of loss that you assume will your profits average 400 per cent. per annum. Have you money in Bonds? If so, are they such that they cannot depreciate in value? If they are they must be

(Continued in text on page 710)

SECURITIES ANALYZED IN THIS ISSUE

BRITISH TRADE BALANCE IMPROVES

According to the American Chamber of Commerce in London, the Board of Trade returns, showing Britain's foreign trade for July, are the best issued since the beginning of the war, the adverse trade balance for the month being reduced to £8,000,000 as against £34,000,000 for the preceding month. Especially satisfactory were the decreased imports, showing a fall of over £7,000,000, as against June, while exports increased by no less than £21,000,000 over the preceding month, manufactured goods being chiefly responsible for the increase.

If, however, quantities instead of values are taken as the index of trade the position is not so satisfactory. The seriousness of the coal situation becomes at once very clear. Coal exports are down from over 6,750,000 tons in July, 1913, to slightly over 2,000,000 tons in July, 1920, although the value has risen from £4,750,000 to nearly £9,000,000 in July, 1920.

FINANCIAL COURSES

The Wall Street Division of New York University School of Commerce enters upon its seventh year on Tuesday, September 21, with the beginning of the Fall Term.

For the coming year there will be a program of 50 **courses giving instruction** in Accounting, **Economics, Banking,** Finance, Business English, Foreign Languages, Commercial **Law,** Shipping and Insurance, Investmente, Foreign Trade and Exchange, Business Statistics, Brokerage and a number of other special **topics.**

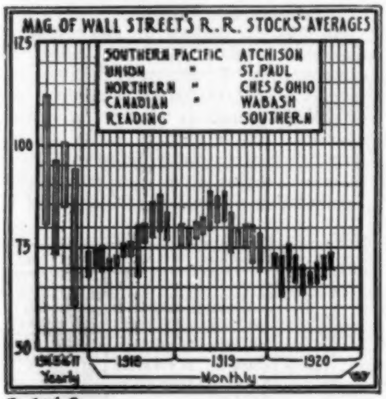
The classes, all of which are conducted after business hours, will be held in the **University Building at 90 Trinity** Place.

Trade Tendencies

Prospects of Leading Industries as Seen by Our Trade Observer

Railroads

THE refusal of some state commissions to acquiesce in the Interstate Commerce Commission's recent decision ordering a general advance in rates has resulted in a situation whereby more than 30 different schedules of freight rates are now operative in the United States. The dispute centers about intrastate rates,



To Sept. 9.

which will be governed by the action of state commissions or by statutes covering rate making. There will be no dispute concerning interstate rates as the interstate commerce commission's authority is supreme in this matter.

Action in various states has differed widely. In some states the local commissions have granted the full increase requested by the carriers. In some states proposed increases have been suspended pending a hearing. In other states the increases have been granted with the proviso that final action will be dependent upon a hearing to be had later. A few states have further complicated the situation by granting the increase in freight rates but not in passenger or baggage rates.

The situation is thus confusing but more so on surface than otherwise. Inasmuch as computations for required railroad revenue as determined by the Railway Transportation Act are based on the assumption that intrastate rates would coincide with interstate rates in the respective territories, it is reasonable to assume that the national authority will take precedence. The situation will probably take some time in unraveling but final action, on the whole, will not vary widely from that taken by the Interstate Commerce Commission itself.

Meanwhile the carriers are making satisfactory strides toward carrying the normal amount of freight traffic. Nearest available figures date back to the first week of August. At the end of that week the roads loaded 942,150 cars of freight which compares with 872,073 cars loaded in the same period last year. In the week ended Aug. 7 this year the carriers loaded 13,437 cars of coke as compared with 8,567 cars loaded in this week of 1919. The rate of progress is cumulative and it is expected that the total showing for August will indicate that traffic conditions are satisfactory considering the difficulties the carriers have had to contend with.

According to estimates of the carriers received by the Interstate Commerce Commission, expenditures of the railroads for improvement of plants and new equipment purchase will total not less than $762,256,108 for the current year. The purchase of additional locomotives to the extent of about 1,800 as well as 22,000 additional open top cars and 30,000 box cars is planned. With systematic distribution of available facilities, the new increase should do much toward alleviating the present shortage.

THE average investor has neither the time nor the opportunity to follow developments in the various industries, although such developments at times are of vital importance in the consideration of the long range prospects for securities. This department will summarize and comment upon the tendencies in the more important trades as expressed in the authoritative trade publications and by recognized readers in the various industries. As the general tendency in a given trade is but one of the many factors affecting the price of securities representing that industry, the reader should not regard these trade tendencies alone as the basis for investment commitments, but merely as one of many factors to be considered before arriving at a conclusion.

It had been hoped that these improvements could be effected in entirety by the end of the present year but this has not been found possible owing to stringent money conditions. The result is that part of the program which had been planned for this year will have to be postponed until next year. But the point to notice is that some progress has been made and that the time when the railroads regarded themselves as being without any prospects for rehabilitation has passed.

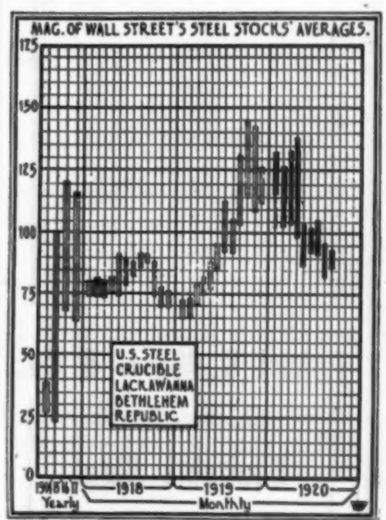
Steel

Freight Rates and Prices

While advanced freight rates have not yet resulted in higher prices for steel and iron, it is a factor which is causing producers and consumers to proceed with greater deliberation. Considerable confusion exists by reason of the conflict between national and state authorities with regard to intrastate rates and until this difficult matter is settled it is not likely that there will be any marked changes in price. An increase of 50% in ore handling charges on the lower lake ports is proposed with higher storage rates to conform with the new freight schedule. That the freight increase is a weighty matter and must be taken into consideration in estimating the outlook for price changes is shown by the appended table, which gives the rates for finished steel in cents per 100 pounds and in dollars per gross ton for semi-finished steel as follows:

	Finished Steel		Billets	
Pittsburgh to—	Old Rate	New Rate	Old Rate	New Rate
Boston	29.5	41.5	$4.90	$6.86
New York	27.0	38.0	4.56	6.30
Philadelphia	25.0	35.0	4.10	5.74
Chicago	27.0	38.0	4.30	6.02
Cleveland	17.0	24.0	2.30	3.22
Detroit	23.5	33.0	3.40	3.76
Buffalo	21.0	29.5	2.80	3.92

The influence of increased freight rates on pig iron will probably not be felt until present stocks are absorbed and new production placed on the market. The question as to price on this commodity refers to prices for coke. If coke receded from present high levels it would find its reflex in pig iron prices but coke remains high notwithstanding increased production. The outlook for pig iron, therefore, is none too promising so far as lower prices are concerned. As a matter of fact, even though iron buyers are feeling their way cautiously at present established levels, there have been no recessions except in



To Sept. 9.

Bessemer, recently quoted at $48.50, but which is also creeping close to the $50 mark. Basic and foundry can not be bought in the valleys under $50 a ton.

Independent producers are generally watching the immediate policy of the Steel Corporation with regard to any price changes caused by the freight increase. The advance will add about $50,000,000 a year to the Corporation's expenses and the question is whether this added expense will be passed on to consumers. So far the leading interest has shown no disposition to revise its price schedule upward and so far as can be gathered from authoritative sources there

is no immediate likelihood that it will do so.

Political conditions still exert an adverse influence on the export trade, but some improvement is noted. Recently there has been some Japanese demand, indicating that matters are taking a turn for the better in that country. The low levels of foreign exchange still interfere with business. Bulgaria, for example, is undertaking a vast expansion in its railway system but is prevented from carrying out its plans into full operation by the credit situation. Improvement in the foreign exchange situation is all that American steel producers need to supply them with a record volume of business. European need for steel products is urgent.

The domestic transportation situation continues to improve. There is a freer movement of steel products from the mills and accumulated stocks are being reduced. Orders are expected soon which will restore 25,000 cars to the general carrying service now employed in coal movement. The outlook is for increasing efficiency in moving steel from mill to consumer.

Slowing down of the automobile industry is not expected to have a great effect on steel production. It is estimated that total automobile production for the year will consist of 1,700,000 passenger cars, 500,000 motor trucks and 300,000 tractors. This will consume about 2,300,000 tons of steel, or considerably below 10 per cent of national steel production for 1920. In other words, even taking into consideration the shrinkage in automobile production, the steel industry does not stand to lose much. The possibilities are rather that the deficiency caused by the slump in the automotive industry will be at least partially offset by new demands coming in from the carriers.

Price deflation of any importance has not yet made its appearance in the various steel products. In fact, in certain items such as wire products and steel scrap there have been advances. A contributory factor in maintaining high levels for steel is the freight increase. In the face of such an increase, no immediate price decline may be anticipated. Speaking generally, the outlook is for maintenance of the present levels for some time to come.

Copper

Uplift in Sight

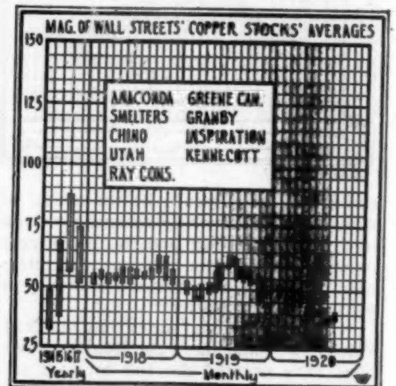
Dulness in the copper market persists, but producers report a better feeling among makers and increased confidence in the outlook for the red metal is noted. Actual business, however, is very light. A nominal price of 19 cents is quoted at this writing by the large sellers, but they are not anxious to book orders at this figure. In the meantime, as shown by figures for July and estimated figures for August, production shows a decline. Important producers threaten further reduction of output unless consumers show more of a disposition to come into the market. Users of the metal, therefore, are becoming anxious about future supplies.

Growing interest in the red metal on the part of foreign consumers is significant. Exports for August totalled about 12,500 tons which is in excess of the amount exported in July. Of this amount a considerable share is being taken by Germany. This is an important development as Germany is regarded as one of the largest potential users of the metal in the near future.

Increased traffic costs will have a bearing on prices. At present shippers are absorbing the increase. This situation will not continue for long, however. Increase in freight rates will add at least a cent to the selling price of the metal and a material upturn from the present level is anticipated by dealers.

So far as domestic demand is concerned, active buying may be looked for from the electrical and brass interests. The feeling is that these interests have some distance to go before they can cover their requirements for the year, and that renewed buying from these sources would automatically advance the market.

All told, the outlook for the copper industry is brighter than it has been for some months. Reduction of the red metal surplus from 1,000,000,000 to slightly over 400,000,000 pounds is a matter of encouragement. While surplus stocks are still large, they are steadily being reduced by increased buying from European sources. Furthermore, decreased production of the



To Sept 9

past few months has put the market in a strong technical position. It is evident that for the first time in months sellers have the better position, and the result should be a gradual upturn of prices.

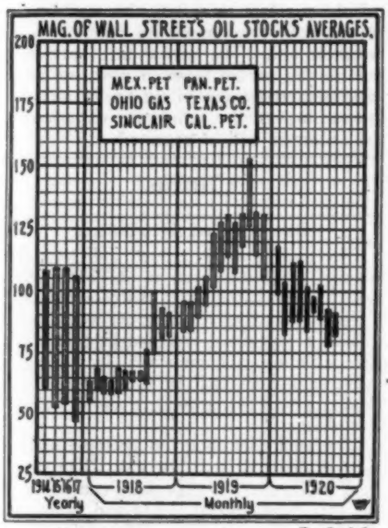
Rapid strides are being made toward bridging the gap between demand and supply in the lead market and the result is a rather definite easing of prices. Heavy supplies from England and Mexico have relieved the demands of consumers who are returning to a policy of quiet purchases. Prices are being shaded somewhat but no marked change is looked for in the immediate future.

American zinc consumers have found it cheaper to purchase the metal in the London market. This has resulted in an unusual situation. British spelter is purchasable at 8 cents f. o. b. New York placing it cheaper in Pittsburgh than shipments from St. Louis, where the price is quoted at around 8.15 cents. That American interests are not averse towards taking advantage of the situation is shown by the fact that 25 tons of spelter shipped from Liverpool arrived recently in New York. Further competition will result in a shading of prices on this side of the water to meet London prices.

Oil

Production Meets with Demand

Stimulated by the high prices now received for crude oil, producers are intensifying their efforts to gain increased output. During the month of July there was an increase of 15,000 barrels daily over production in June. Interests intimately associated with the oil industry report a continued increase for August. Gain in production, unfortunately, is not due to discovery of new sources of supply but to increased drilling operations in territories of proven value. Wild-catting operations are rather extensive but so far they have been of only temporary value in boosting the rate of production.



To Sept. 9.

Nevertheless, present increase of output has thrown a sufficient amount upon the market to counteract the demand. Supply and demand may be said to be temporarily on an even basis. The result is that prices for crude oil at the wells are maintained at the same levels established a few weeks ago, with no indication of an immediate advance. With no further increase in the price of crude in sight, dealers feel that gasoline will advance very little if any within the near future. This view is in part supported by the fact that the enormous summer demands for the commodity will soon give way to the more moderate demands of autumn and winter, thus throwing a larger supply upon the market.

While gasoline remains steady, the market for some other part of the petroleum list is a bit unsettled. Mineral lubricants show a downward trend while real weakness has developed with regard to cylinder stocks and black oils. Both domestic and foreign demand for these products have diminished with consequent recessions of price. Kerosene is actively demanded by European sources, as a partial substitute for both coal and gasoline and as a result higher prices are looked for. A feature of great interest is the fact that oil interests in Mexico, which had had great difficulties with that government, have agreed to pay the disputed taxes but under protest. The tax will

amount to about 13 cents per barrel of oil. Last year about 55,000,000 barrels were imported from Mexico but the total this year will be twice as great. Settlement of the Mexican problem from the oil standpoint should do much to lessen the burden of American producers.

Considerably less is heard about the acute shortage of oil. Intensified efforts on the part of producers to catch up with demand, the influx of oil from Mexico, and the cessation of the active summer demand show that for the time being at least pressure has been removed. This, however, is partially offset by continued heavy exports so that the outlook for the immediate future is a state of balance between production and consumption. Prices, therefore, can be counted upon to remain fairly steady, so far as the immediate future is concerned. The ultimate solution of the problem to satisfy the world-wide demand for the commodity remains to be worked out. The probabilities are that unless the period between now and next Spring permits the piling up of an adequate surplus, the stringency experienced last summer will be repeated.

Cotton

Raw Material Accumulates

The Government report indicates the size of the cotton crop at 12,783,000 bales which means the sixth successive short crop. Ordinarily such a report would have meant a sustained increase in prices but the situation is complicated by so many adverse factors that in the best opinion, higher prices for cotton are a very remote possibility.

The main fact about the cotton situation is that demand is at low ebb. The situation in England is especially contributory to this development. England is in the throes of labor troubles. The nation faces a crisis. So disturbing is the outlook that recent reports indicate the possibility that Lancashire mills may be placed on short time. Of course, this situation has reacted upon our cotton export trade, and movement of the commodity towards English mills is of only the most moderate proportions.

The domestic situation is not much better. Our mills are not meeting with much success in disposing of their output and are consequently holding off from purchases of the raw material. At the same time raw material accumulates rapidly with no outlet either for domestic or export consumption. Southern associations find the situation irksome and are advising the retention of part of the crop and a smaller planting for next year. Some producers claim that it is unprofitable to sell cotton at less than 40 cents a pound. In view of the fact that a recent survey showed the cost of production to vary from 7 cents to $1.03 a pound, with a bulk line at 23 cents, it is difficult to see how the planters' claim can be substantiated.

Since last April cotton prices have declined almost perpendicularly.

This would seem to entitle the market to occasional rallies, due to its technical position. In fact, during the past two weeks there have been sporadic periods of strength, but these have been due mainly to short-covering. On the basis of that intrinsic situation, however, the trend for

the commodity continues downward. The same factors which have been operating in this market over a period of months are still operating. The apparently bullish significance of a short crop is completely offset by lack of demand. Unless news develops to show that the crop will be much smaller than estimated, there seems to be nothing to interfere with the deflationary process now going on.

Public Utilities

Earnings Show Improvements

Present indications point to gradual elimination of the difficulties which have hampered the public utilities during the war and post-war periods. In the case of some of the more important systems, gross earnings are reported to be on the increase. This improvement is generally attributable to higher rates, increased traffic, or both. In the case of companies whose rates are based on expenses computed at or near their highest level, net earnings should show improvement as soon as the effect of lower costs makes its appearance. Inasmuch as it is the general impression that costs of fuel, material and labor have already seen their peak, it is apparent that such improvement can not be very far off.

The difficulties encountered by the street railway companies have led to a somewhat erroneous impression concerning the general public utility field, but a study of the earnings reports of a number of electric light and power and gas companies will lead to greater optimism. Such reports indicate gross earnings from additional business and from increased rates at least sufficient to counterbalance the effect of higher operating costs. Some companies which ran close to the deficit line last year will this year report a surplus. This improvement is noted in the majority of earnings reports thus far submitted.

The street railways are in a less favorable position. The report handed in to the President by the Federal Electric Railway Commission shows that owing to excessive capitalization in some cases, financial mismanagement, labor troubles, lack of credit and general public distrust, the immediate outlook for the street railways remains clouded. The Commission makes some valuable suggestions and lays special emphasis upon the necessity for the restoration of credit and the creation of the spirit of co-operation between the companies and their employes.

The situation varies in different localities. In some cities, as for example, New York, the transportation companies are hampered by the attitude of labor and the municipal authorities. Whereas fare increases have not yet been permitted, labor has been insistent in its demands for increased wages. Thus operating costs tend to mount while net earnings are at the vanishing point. A change of administration might improve the situation in New York City, provided it were accompanied by an advance in rates from the present nickel basis. In other cities, however, the local authorities have exhibited a spirit of co-operation with the companies and have permitted sufficient rate increases to at least offset the influence of higher operating costs.

Nevertheless, even in this department, a slow improvement may fairly be anticipated mainly on the basis that the cost of fuel and materials, if not of labor, shows a downward trend. If this process is continued long enough, financial results for the street railway systems will turn out to be as satisfactory as for other branches of the public utility industry.

The conclusion is that outside of the street railway systems, the public utilities, especially electric light and power and gas companies, are making definite progress toward improved net earnings. The street railways are somewhat slower in getting on their feet, but even here there are factors making for eventual improvement. Speaking generally, the outlook for this industry is brighter than it has been over a considerable period.

Grain

Higher Rates Anticipated

Total winter and spring wheat production for this country will approximate 785,000,000 bushels. The country's requirements are about 600,000,000 bushels leaving a surplus available for export at around 185,000,000 bushels. Canada, Argentine, Australia, India and Eastern Europe add about 345,000,000 bushels available for export, bringing the total supply for Europe and other territories, at about 530,000,000 bushels. But on current needs, with European requirements standing at about 580,000,000 bushels, the deficit in the world's supply will run at least 50,000,000 bushels. Some estimates put it as high as 75,000,000 bushels.

For the present, European needs can only be met from Canadian and United States sources. The Argentinian crop will not be ready until next spring and at that, with reports of drought, it is very much of a question whether the Argentinian output will measure up to recent estimates. Her surplus may only run up to 90,000,000 bushels whereas best surpluses have averaged 111,000,000 to 140,000,000 bushels. In other words, it is not only up to North America to keep Europe going until next Spring, but it may have to make up expected loss of Argentinian wheat in that period as well.

The margin of safety is a small one, and should the available supply for export from North American sources average below current estimates, a serious situation is almost immediately at hand for Europe, while it is definitely known that during the spring months Europe will not be able to find enough wheat to meet her requirements. The attached table shows the extent of the anticipated deficit in the world's supply. One factor which may tend to alleviate the situation is that Europe can offset the wheat deficit to a certain extent by using mixtures of corn and oats of which there are large available supplies on this side of the water. But on the straight wheat basis, the European shortage is too apparent to dispute.

Final test, of course, depends upon the consumer, but wheat is the necessity of life and there can be no bargaining. Europe must have enough for subsistence, but where the needed supplies are to come from is difficult to see unless, of course, producing countries voluntarily place

themselves on a rationing basis. Unless this occurs, and unless current wheat estimates are far below final figures, the outlook is for preponderance of demand over supply, and correspondingly a stiffening of prices.

Wheat has sold as low as $2.06½ for the December variety but has recovered a good share of its lost ground and at the time of writing is steady at around $2.40. With the whole world anxiously computing how to make supply equal to demand for wheat, and with small prospects for so doing, it is difficult to see how there can be any recessions of importance, except those due to technical influences. The outlook, therefore, seems to be for higher prices, and in some quarters, a marked advance from current levels is predicted.

Corn is in a somewhat different position. There is a very large crop estimated at final figures at around 3,100,000 bushels. The export demand does not play such an important part here as with wheat, as is shown by the fact that on the average only 10% of our corn supply is used for export purposes. This naturally leaves

Wheat Requirements Exceed Surplus

Country	Surplus	
United States	70,000,000 bu.	(old)
United States	115,000,000 "	(new)
Canada	140,000,000 "	
Argentine	90,000,000 "	
Australia	40,000,000 "	
India	25,000,000 "	
East Europe	50,000,000 "	
Total	530,000,000 "	

	Estimated Requirements
United Kingdom	210,000,000 bu.
France	80,000,000 "
Italy	90,000,000 "
Spain	15,000,000 "
Holland	60,000,000 "
Central Europe	50,000,000 "
North Europe	25,000,000 "
Others	50,000,000 "
Total	580,000,000 "
Total Deficit	50,000,000 "

corn in a weaker technical position. The chances for a big upward swing in this commodity are remote. The probability is that corn will reluctantly trail wheat, but will not travel far from its present levels.

AMERICAN CARS REDUCED ABROAD

According to the American Chamber of Commerce in London, what may be the beginning of a general drop in the price of motors is foreshadowed by the announcement that Ford and Maibohm cars are to be considerably reduced in Great Britain. The reduction in the case of the Maibohm will amount to £100 and in the case of Fords will vary from £25 for ordinary touring cars to £50 for one-ton standard trucks.

This move is taken by British manufacturers to mean that real competition has now commenced and that supply is at last catching up with the demand, although in this connection it is reported that one firm has orders to the value of nearly £12,000,000 sterling to work off.

The general view of the reduction is, however, that next year when the new motor taxation comes into force the American car will be hit more than the British and the reduction is designed to meet this disadvantage.

THE CHIEF FACTORS TO WHICH AN INVESTMENT RAIL SHOULD RESPOND

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year, this must be deemed remarkable.

Estimates of Future Earnings

Too much dependence should not be placed on estimates of 1921 earnings based on the application of the new tariffs and wage scales to the gross revenues and the payrolls of 1919. Such estimates with respect to Chesapeake & Ohio range from $16 to $18.50 a share, and, where the results of the first six months of 1920 are made the basis of the estimates, they run from $22 to $26 a share.

While such estimates are not highly trustworthy in connection with any road, it must be admitted that Chesapeake & Ohio's traffic is of such a nature that it will be affected least by the increases. Passenger travel, which would be affected most, has never been relatively important to this company. The carrying of coal, an absolute necessity that must move under any rates, furnishes the bulk of the road's business.

There is hardly a doubt that the company in 1921 will earn 6% on its property account, and this brings me to the third factor stated at the beginning of the article.

From reference to the table it will be seen that Chesapeake & Ohio earned more than 6% on its property account in only one year of the last five. That was in 1916, when the return on the stock was $12.21 a share, but since then the investment has considerably increased.

Under the Transportation Act this consideration is of great importance, because the company is left with a fair margin for expansion in income before any of this income becomes subject to recapture. In this particular, Chesapeake & Ohio, as an investment for profit, has an advantage over the stock of a road such as Norfolk & Western, which averaged to earn 7.89% on its investment in the test period.

As the investment stood at the close of last year, Chesapeake & Ohio could report a net operating income of $17,280,000 without subjecting any part to recapture. This, with adjustments for other income and charges as reported for 1919, would be equal to about $15.20 a share on the stock before Federal taxes.

Conclusions

Chesapeake & Ohio's territory is developing rapidly, coal mines along its lines are increasing in number and output and it will have in the next few years large capital expenditures to make in order to meet the traffic requirements. For this reason, I think, it cannot be safely concluded that the directors will increase the present dividend rate of 4% as soon as earnings show a large margin thereover. Nor would such action be conservative as long as the company was under the necessity of providing funds for development at the present high rates for money. However, the position of the stock will not await such action, but will discount an increase with the growth of the investment.

For any one who wants a dividend rail, with prospects of profit and an in-

(Continued on page 720)

Answers to Inquiries

'FRISCO "INCOMES"
Regular Payments

Although the St. Louis-San Francisco Non-Cumulative Income 6% Bonds are not secured by a mortgage, and the interest thereon is not payable, unless earned, nevertheless, in view of the company's excellent earning record during the past year or so, we regard them as a good speculative investment,—in fact, one of the best of its class, which the bond market now affords. The indenture provides that no interest shall be payable on this issue, unless the net income of the company shall suffice to pay at least ¼ of 1% on the Income Bonds, and that the rate of interest declared payable, shall in every instance, be ¼%, or a multiple thereof. Indenture further provides that no interest shall be paid, unless payment of interest has been made on the outstanding Adjustment Bonds of the company, which are prior to the Income Bonds.

There can be little question now as to the company's ability to pay the interest on this bond issue indefinitely. As a matter of fact, the company only recently declared the full interest payable on Oct. 1st next, after which the bonds will be quoted ex-interest, that is, with interest deducted. At the current price, around 54, the bond doubtless has speculative possibilities, and we believe that one who buys now, would not have much reason in the long run, to regret his choice.

ARE PREFERRED STOCKS CHEAP?
Pros. and Cons.

The arguments put forth by Mr. J. L. Cheatham, in a recent article in the MAGAZINE OF WALL STREET, favoring the purchase of preferred stocks at the present comparatively low price range, still hold good, and we see no reasonable ground to dispute them. Many of these issues are now selling at real bargain levels, we believe, and whether their prices drop somewhat lower in the near future, or not, is quite beside the question. In any event, these stocks are of the sort that are bound to "come back" eventually, and will, we believe, sell at considerably higher levels.

The three preferred issues, namely, Va.-Carolina Chemical, U. S. Rubber 8% Pfd., and American Smelting & Refining Pfd., are among the best of this class, we believe, not only by reason of their high yield, but also because of the large equities behind them. Bethlehem Steel 8% Pfd., and General Motors 6% Debentures might also be added to this group, and so might certain railroad stocks, such as Western Pacific Pfd., and Southern Railway Pfd. Both of these railroads are earning the dividend requirement on their preferred stocks several times over.

Of course, we also favor such perfectly good securities as the New York Central 7% Equipment Trust, and others of that character. But were we considering the advisability of investing in bonds alone, we should undoubtedly prefer long term issues.

'FRISCO ADJ. BONDS
Have Good Possibilities

St. Louis-San Francisco Adj. 6% Bonds are a good speculative investment issue. There appears no room for doubt that the company will be able to pay the interest on these bonds indefinitely, and if it does, the price of the issue will sooner or later sell considerably higher.

SOUTHWESTERN TERM 5s
A Good Bond

We regard St. Louis Southwestern 1st Terminal and Unifying 5s as a good bond to hold for a long pull. The issue is well secured, both as to property and earnings, and we believe that one who buys it now, at the present comparatively low prices, will not have any reason ultimately to regret his choice.

FOR INVESTMENT OF $1,000
A List of Bonds

For an investment of from $500 to $1,000, we suggest the bonds indicated herewith, which can be obtained in $100 denominations:

St. Louis-San Francisco P. L. 4s.
St. Louis-San Francisco P. L. 5s.
Terminal Assn. of St. Louis 4s.
Montana Power 1st & reg. 5s.
America Smelting & Ref. 1st 5s.
U. S. Rubber 1st & ref. 5s.
Western Pacific 1st 5s.
Am. Tel. & Tel. Coll. Trust 5s.
Lackawanna Steel Conv. 5s.
Atlantic Coast Line Deb. 4s.

The market price of these bonds offers opportunity for profit under better general conditions.

BETHLEHEM MOTORS

New Status in Receivership

Bethlehem Motors Corporation was placed in the hands of a receiver August 24th. Clinton D. Wood, who was the general manager since last May, is the receiver. The plant will not shut down, but will continue production. The trouble is attributed to the expenditure of too much money in plant improvements, leaving too little capital for operations. The receivership was by agreement between the creditors and the corporation. It is maintained that the corporation is solvent, having assets of $4,900,000, and liabilities amounting to $3,000,000.

The chief creditors are banks, the amount due such institutions,$1,700,000, of which $1,300,000 is unsecured. Merchandise creditors claim amounts to $600,000.

The company has been employing about 1,000 men, many of whom are stockholders, with a pay roll of about $32,000 weekly. Its recent production of motor trucks has been about 300 to 400 trucks per month.

The company has outstanding 173,334 shares of capital stock of no par value. It has no funded debt, nor preferred stock issued.

Plans are being formulated by stockholders and others interested in the corporation, for a reorganization. It is believed that a proper reorganization can be effected without endangering the holdings of the stockholders in the final outcome. In the new financing that will be required, the stockholders may be called upon to assist, but in such event, will be satisfactorily secured.

The fact that the corporation has no funded indeptedness should make the proper refinancing certain, inasmuch as the company claims to have a large amount of unfilled orders. The prospects for the future do not appear to be as dark as the appointment of a receiver would indicate. As there has been no balance sheet issued since November 30, 1919, we could not give an accurate estimate of the actual intrinsic value of the company's stock. Doubtless, a statement will soon be issued, in connection with the refinancing, and we will then be able to give the desired information.

COTTON OIL—FAMOUS PLAYERS

Some Suggestions

In announcing the omission of payment of dividends upon the common stock, August 3rd, 1920, the directors of American Cotton Oil stated that this action was taken because of business conditions, and would be continued until the prices of commodities and general business shall be more nearly normal. There have been no recent statistical reports of the earnings of this company. Our advice is to hold this stock for future developments. The present price of the stock would appear to have discounted any adverse conditions.

We are of the opinion that a switch from Famous Players Pfd. into Kelly Springfield 8% Pfd. is advisable. We believe that Kelly stock will show a more sustained advance in any upward trend in the market, as compared with Famous Players Pfd. The "movies" are not quite so stabilized as tires, especially when a company like Kelly is considered.

We do not advise the sale of Anaconda Copper or White Motors at the present time.

ROCK ISLAND 4s 2002

Only a Souvenir

Chicago, Rock Island & Pacific R. R. 4s 2002, were originally secured by the stock of the road. When the Rock Island Company, the holding corporation, was organized, the stock, selling above $200 per share, was deposited as collateral for the issue of these bonds.

When the Rock Island Company went into bankruptcy, the resultant reorganization wiped out the stock deposited as collateral for the bonds, and consequently rendered the bonds worthless, as they were without security. They occupy the position of souvenirs today, having no value.

COLLECTING COUPONS

Authorizing Broker to Collect

The authorization to complete the certificate of ownership required by the Federal Income Tax Act requested by brokers is customary where they are collecting interest and coupons on stocks and bonds. It is a government requirement.

INTERNATIONAL MOTOR TRUCK

Industrial Outlook Good

International Motor Truck statement for 6 months, ending June 30, 1920, shows net profits after charges and taxes of $2,163,421, equivalent after preferred dividends to $5.64 per share on the 283,108 shares of common outstanding, compared with net profit of $1,185,-783 for the same period in 1919.

For the 3 months to June 30, the net profit was $1,195,363, compared with $645,946 in 1919.

We do not advise a sale of the stock at this time. While there is depression in the motor industry, our reports are to the effect that the situation is well in hand and the future outlook good when general conditions improve.

CANADA COPPER CO., LTD.

Details of Reorganization

Canada Copper Co.'s privilege to convert into shares of the new company has been extended to October 1.

It depends on what stock you purchase whether you pay the 50c per share required. If you purchase the old Canada Copper at the market, then send your certificates with your endorsement guaranteed by your bank to "Readjustment Committee, Canada Copper Co., Ltd., care Empire Trust, 120 Broadway, New York," accompanied by a draft for the assessment, and you will receive share for share in the new company, when organized. If you do not care to pay the assessment you will receive three shares of the new stock for ten shares of the old.

Curb brokers are selling the new shares, "when issued." We advise the old shares. The new corporation has not as yet been chartered, therefore, we do not look for any early advance in the price of the stock.

GREAT NORTHERN ORE
Switches Suggested

We are inclined to believe that a switch from Great Northern Ore stock to a bond of the character of St. Louis Southwestern Cons. 4s, would be likely to prove profitable in the long run. The earnings of the Great Northern Ore property in recent years, have been barely sufficient, and in some years, hardly sufficient to meet the dividend requirements on the stock, so that in the event of any severe contraction in general trade, and especially in the steel trade, a reduction in the dividend rate would be almost certain. On the other hand, there can be little question now as to the ability of the St. Louis Southwestern Railway to meet the interest requirements on its bonds. This company has shown remarkable increases in earnings during the past six or seven months, and it is not beyond the range of possibilities that some dividend will be paid sooner or later on the preferred stock.

But rather than put all the eggs into one basket, we believe it would be better to distribute holdings somewhat, and we would therefore suggest one or two bonds of each of the following issues: Denver & Rio Grande Cons. 4½s, St. Louis-San Francisco Adj. 6s, Colorado & Southern Refunding 4½s, and Cleveland, Cincinnati, Chicago & St. Louis Debenture 4½s. All of these issues are now selling at prices yielding 7½% or more, and we believe it to be only a question of time when they will all sell at considerably higher price levels.

HUGE MOTOR CAR EXPORTS

In a special bulletin the National City Bank of New York City says that the total value of automobiles and accessories, such as tires, engines and other separate parts, exported in the fiscal year 1920 aggregates $275,000,000, against $138,000,000 two years ago, and $30,000,000 in the year preceding the war.

THE CHIEF FACTORS TO WHICH AN INVESTMENT RAIL SHOULD RESPOND

(Continued from page 717)

creased income, I believe a selection better than Chesapeake & Ohio could not be made.

For those who want greater security than is offered by a stock, the convertible 5s, exchangeable for the shares in the ratio of 100 to 80, provide a high grade investment that will reflect any speculative improvement in the stock.

Both of these securities have recently advanced in common with the rest of the rail list. The bonds are selling around 80 and the stock around 60, and it is obviously better to purchase them on a decline.—vol. 24, p. 930.

TENNESSEE COPPER HAS YET TO MAKE GOOD

(*Continued from page* 702)

but in all probability anticipated earnings from this business will not materialize until next year. The company has also acquired a phosphate rock property near Barrow, Florida. This property has been thoroughly tested and shows a large deposit of good grade phosphate rock, which can be mined at low cost.

Future Not Brilliant

The future of the Tennessee Copper & Chemical Corporation depends on the success of its two subsidiaries, the Tennessee Copper Company, and the Southern Agricultural Chemical Corporation. The Tennessee Copper Company has made a poor showing recently, as Graph III will illustrate. The company's income has been converted into a deficit during the past year, and its net working capital has become a liability. Its profit and loss surplus has decreased, but its operating expenses have increased. The immediate outlook is not bright.

The new subsidiary, organized to enter the fertilizer business, is in the development stage, and may not be counted upon for earnings until next year.

The company is involved in considerable litigation, in the form of damage suits alleging breach of contract, and claiming various sums, ranging from $45,000 to $1,368,000, and aggregating about $2,755,000.

Other Stocks More Attractive

The company's stock has had a general tendency downward during the past three years, although it shows resistance at a price between $9 and $10 a share. Even at its present lowest price the stock is highly speculative, and uninviting, and does not compare favorably with other speculative mining and industrial shares that have more attractive future possibilities.—vol. 24, p. 931.

CALLING FOR BANK STATEMENTS

The Comptroller of the Currency is the United States treasury official who calls upon the banks for statements of their condition. This applies to National banks. He has no control over banks operating under State charters, these banks being under the jurisdiction of the various State Comptrollers.

The Comptroller by custom is allowed to make these calls six times during the year and usually does so at two-month intervals, but is not restricted as to dates. It is entirely at his option when the calls are made and the banks are not notified in advance.

When the Comptroller issues a call of condition, the date on which he demands a statement of the bank's affairs antedates the time the call is made by three or four days. For example, the Comptroller will issue a call on July 1 for a report of the condition of the banks at the close of business June 26. That is why the statements would read "As of June 26."

This antedating the actual call is presumed to be for the purpose of preventing any bank from arranging its affairs, if it should so choose, to make its report especially favorable, as could be done if the report was of the same date as the call.

It is no especial trouble for a bank to prepare a report for the Comptroller, except that it makes added work for the clerks. The main expense to the bank is in the advertising of the report, as it is compulsory that each statement be published in one or more newspapers.

Examinations of a bank are an entirely different matter. In this case the deputies of the Comptroller walk into the bank unannounced and proceed to examine into its affairs. The books are overhauled and the various securities scrutinized and appraised as to what value the examiners put upon them and what value the bank carries them as assets or as security for loans. These examinations are no particular bother to a bank, unless it has been carrying a bad line of loans or securities.

They are very expensive for banks, as the expense is charged against the banks, and in a very large institution this runs into the thousands of dollars.

The State banks do not escape calls because they are not under National jurisdiction, as it is the custom for the various State Comptrollers to call for statements from these banks on the dates when the National Comptroller calls on the National institutions, so that, usually, all banks, State and National, report at the same time.

SCRIP

During a corporation reorganization or the conversion of stock "scrip" is sometimes issued instead of the regular certificates. This might properly be called a due bill, entitling the holder to what it calls for. It may be a temporary share or part of a share. In the latter case when enough scrip equals a share then it can be converted into a regular share. Sometimes scrip dividends are declared and at a later date can either be converted into stock or are redeemed by the company in cash. A scrip dividend in reality is a stock dividend.

THE SOUTHERN AND NORTHERN EXTENSION OF STANDARD OIL

(*Continued from page* 706)

millions of dollars and it will probably be at least 2 years before the company will be able to ship its product in substantial quantities, but with the completion of the Tropical-International merger, it appears that the Standard Oil interests are ready to begin a big development program in the South American oil fields, which must be looked to, to an increasing extent, to provide part of the growing demand for petroleum products.

The old International Company controlled valuable properties in Peru, where it also operated a refinery at Talara. It is understood that the International Company has also secured concessions in Ecuador, Bolivia and other South American countries. During the next few years it is likely that we will see a great expansion program carried out through the International organization, and this may be reflected in substantially higher prices for this company's stock.

Current Bond Offerings

Issue	Maturity	Offering Price	Approx. Yield to Maturity	
Government and Municipal:				
*Govt. of the French Republic 8s	Sept., 1945	100	8.1-9.4	(a)
City of Hoboken, N. J., 6s	Aug., 1926	101.25	5.75	(b)
City of Syracuse, N. Y., 5¼s	1921-1960	To Yield:	5.90-5.	(b)
Public Utility:				
*Grt. Western Pr. of Cal. Conv. 8s	Aug., 1930	100	10.31-8.33	(c, d)
*Hartford Elec. Lt. 7% Notes	Sept., 1930	95.68	7.62	(d)
Cisco, Texas, Water 6s	1923-1960	100	6	(e)
Industrials, etc.:				
*Steel & Tube Co. of Am. 6s	1944	88	7	
Baldwin Co. 8% Notes	Sept., 1925	100	8	(d)
†Standard Tank Car 7% ctfs	1920-1923	99.72-96.86	8.20	(d)
S. S. Kresge 7% Notes	1922-1926	100**	7-8	(d)
Sawyer Biscuit Co. 8s	1923-1930	100	8	

†Discussed in text. (a) Exempt from all French taxes. (b) Exempt from Federal and State taxation. (c) Exempt from personal property tax in California. (d) Company pays normal income tax up to 2%. *With common stock warrants attached. (e) Free from Federal Income Tax, including Surtax.

Government of the French Republic. Twenty-five Year External Gold Loan 8% Sinking Fund Bonds, (coupon bonds in denominations of $1,000, $500 and $100, registerable as to principal and interchangeable as to denominations). The Government of the French Republic covenants in the loan contract, under which these bonds are to be issued, to pay to J. P. Morgan & Co., as sinking fund trustees, until the entire loan has been redeemed, the sum of not less than $4,400,000 annually, to be applied to the purchase of bonds up to and including 110% and accrued interest, prior to December 15, 1925, and thereafter to the redemption of Bonds by lot at 110%, and accrued interest. During the first five years such payments will be made in quarterly instalments beginning December 15, 1920, and ending September 15, 1925, and thereafter will be made in semi-annual instalments, commencing December 15, 1925. The amount of the interest accrued on bonds purchased or redeemed is to be paid by the Government in addition to the fixed sinking fund payments. Such sinking fund payments are sufficient to redeem at 110% all of the bonds at or before maturity. After the five-year period, at least $4,000,000 principal amount of the bonds will be called each year at the redemption price of 110% and accrued interest.

In the event that, prior to December 15, 1925, bonds are not purchased at 110% in an amount sufficient to exhaust the payments to the sinking fund, any such unexpended balance is to be used for the redemption of bonds by lot at 110% at the earliest date provided for such redemption, namely, March 15, 1926.

Great Western Power Co. of California.—General Mortgage 8% Gold Bonds (Coupon bonds of $100, $500 and $1,000 denominations, registerable as to principal).

The Company covenants that, beginning August 1, 1922, it will pay to the Trustee annually, as and for a sinking fund, a sum of money to be used in retiring bonds by lot at 105 and accrued interest, which sum shall be sufficient, when paid annually during the remaining life of the bonds, including the year 1930, to retire the entire issue at a premium of 5%. This sum will amount to $408,333 plus accrued interest on August 1, 1922, if $3,500,000 bonds are outstanding on that date.

These bonds are to be later secured by a pledge of an equal amount in par value of a new Series "B" 30-year 7% bonds when issued under the Company's existing First and Refunding Mortgage, dated March 1, 1919, which bonds will rank equally with the $6,000,000 of 6% Series "A" bonds now outstanding. The outstanding bonds under this mortgage have been certified as a legal investment for California savings banks, and application will be made to certify the new 7% series as issued. Until such bonds have been issued and pledged as security for this issue no further First and Refunding Bonds may be issued.

When called as a whole, which may be done only after completion of the pledge of 7% bond collateral, or by lot, the holders of this issue will have the option of either being paid in cash at 105 and accrued interest, or accepting pledged 7% bonds at par, accrued interest and a cash premium of 5%. When bonds of the new series of first and refunding 7% bonds equal in par value to the total amount of general mortgage convertible 8% bonds shall have been pledged with the trustee, the holders of the latter may at any time convert their bonds at 102½ and accrued interest into pledged 7% bonds at par and accrued interest, the company paying the premium of 2½% in cash.

Hartford Electric Light Co.—Ten Year 7% gold notes (coupon notes in denominations of $1,000 and $500, registerable as to principal only).

The Hartford Electric Light Co., incorporated in Connecticut in 1881, supplies electric light and power in Hartford and a large section of central and northwestern Connecticut, serving a population of about 175,000. It also owns the entire ($1,000,000) common stock of the Connecticut Power Co., acquired in March, 1920, which Company does the entire electric light and power business in New London, Middletown and Thomaston, Conn., and furnishes wholesale power to manufacturing and public utility companies in various other Connecticut towns.

Net profits available for interest charges on these notes (before depreciation) have averaged for past 4 years $796,500, or 2.27 times the $350,000 interest requirement on these notes; for year 1919 they were $961,700, or 2¾ times such charges and for year ending June 30, 1920, they were $994,796, or 2.84 times such charges.

The company has no mortgage or other funded debt. No mortgage or liens (other than purchase money obligations on future acquired property or pledges to secure temporary loans) may be placed upon any of its properties without equally securing these notes.

Franchises of the Hartford Electric Light Co., and of the Connecticut Power Co. are without time limit.

Proceeds of these $5,000,000 notes will be used to provide additions to the company's power plants and distribution system, needed for its steadily increasing business. The proceeds of common stock recently sold to the stockholders, amounting to $1,750,000, were also used for new construction, thus adding to the security behind these notes.

The $10,000,000 capital stock at present prices ($140 per share) shows a market value equity of $14,000,000 junior to these notes. Cash dividends of not less than 8% per annum have been paid since 1903; present rate, 10%.

The Steel & Tube Co. of America.—General Mortgage Sinking Fund Gold Bonds, Series B (coupon bonds in denominations of $1,000 and $500, registerable as to principal).

The General Mortgage Bonds are secured by direct mortgage lien on the entire physical property of the company now owned or hereafter acquired (including the stocks of subsidiary companies owned, and also including leases of iron ore properties insofar as a mortgage of the company's interest in such leases may be lawfully made and enforced without violating the terms and conditions of such leases)—subject only to $7,877,000 underlying obligations together with $1,299,812 mortgages assumed on recently acquired properties, and $660,000 equipment trust certificates, all due in annual or semi-annual instalments, and outstanding under closed mortgages and indentures.

A sinking fund of 3% of the amount of Series B Bonds outstanding from time to time, together with the amount of premium which may be paid for bonds redeemed, is to be applied by the Trustee annually, beginning 1922, to the purchase of Series B Bonds in the market up to 105 and interest, or if not so obtainable, to call bonds at that price. This sinking fund will retire at least one-half of the total amount of Series B bonds prior to maturity.

Additional General Mortgage Bonds are issuable, in series, for refunding underlying obligations, and at par for 75% of the cost of additions and improvements to the mortgaged property, in accordance with the careful restrictions of the General Mortgage.

The Baldwin Company.—Five-Year 8% Convertible Gold Notes (denominations $1,000 and $500).

The Baldwin Company owns the entire capital stock of The Baldwin Piano Company, The Baldwin Piano Manufacturing Company, The Ellington Piano Company, The Howard Piano Company, The Hamilton Piano Company, The Monarch Piano Company and The Wm. H. Perry Lumber Company, it also owns the controlling interest in The Baldwin Piano Company of Indiana.

In the ten years ended December 31, 1919, the company's net earnings after deducting all taxes including the Federal Income and Excess Profits taxes, amounted to $4,753,038. Its net earnings in 1919, after deducting taxes, were $769,083, while during the first six months of 1920 the net earnings, after

allowing for taxes, were $584,016. The greater part of each year's business is done in the second half of the year. At the present time the company has an outlet for 25,000 to 30,000 pianos annually. Its manufacturing capacity is 21,000 pianos annually.

To increase the present capacity 27,700 pianos annually the company is building a new seven-story factory, 370 feet by 80 feet, on Gilbert avenue, opposite Eden Park entrance. To complete this work and make other improvements in other factories to raise the capacity to 30,000 pianos annually will require an investment of $1,300,000 in buildings and equipment and $1,200,000 for increased working capital.

To finance this development the company has issued the $2,500,000 Five-Year 8% Convertible Gold Notes. The company reserves the right to purchase in the open market or to call all or any part of the notes in accordance with the following schedule: During first year, from Sept. 15, 1920, at 102½% and accrued interest. During second year, from Sept. 1, 1920, at 102% and accrued interest. During third year, from Sept. 15, 1920, at 101½% and accrued interest. During fourth year, from Sept. 15, 1920, at 101% and accrued interest. During fifth year, from Sept. 15, 1920, at 100½% and accrued interest. There will be an annual Sinking Fund redemption provision of $100,000.

Besides the redemption features The Baldwin Company is offering the purchaser of notes the privilege of exchanging them before being called for 8% Cumulative Debenture Preferred Stock. This 8% Cumulative Debenture Preferred Stock is also redeemable, but it offers the attraction of yielding the high return of 8% over a longer period of time and will be retired at a premium if it cannot be purchased in the open market: During first 6 years until Sept. 15, 1926, at $102.50 per share. During next 4 years until Sept. 15, at $105 per share. During next 5 years until Sept. 15, 1935, at $107.50 per share. During remaining period until all are redeemed, at 110 per share.

Besides the annual Sinking Fund of $100,000 for the notes, the company must always maintain the Current Assets at the ratio of 150% of the current liabilities, including the notes of this issue.

Standard Tank Car Co.—7% Equipment Trust Certificates Series C (denominations $1,000 and $500.

These certificates will be secured by title to 122 new steel tank cars.

These cars have been sold to seven companies on the deferred payment plan, which provides for payment partly in cash and the balance in notes, maturing monthly up to three years. Until the notes of these seven companies are paid in full, title to the equipment, together with the deferred payment notes, will be assigned by the Standard Tank Car Co. to the trustee, for the benefit of holders of these equipment trust certificates.

In addition, all purchase money notes and equipment certificates will be guaranteed unconditionally, both principal and interest, by the Standard Tank Car Co.

The Standard Tank Car Co. is one of the largest builders of tank cars in the United States. Net earnings for the three years ended December 31, 1919, before Federal Taxes, available for equipment guarantees, averaged $1,578,587, and for the seven months ended July 31, 1920, were $1,633,671.30.

DEPRESSION IN THE SHIPPING INDUSTRY

(*Continued from page 690*)

payment of back dividends in one lump sum, but in view of the emphatic attitude of stockholders against any such course, as expressed at the time the matter of ship sale came up for a vote last year, it is hardly likely to be any factor in determining the rate of payment on the preferred stock.

From a market viewpoint, the shares have done considerable in discounting their less promising outlook. Assuming the ability of the company to liquidate its obligations on the preferred stock at a moderate rate annually, this would provide the investor with a high income return for a number of years at least. The perferred stock, therefore, at present low prices of around 74, represents, I believe, an attractive speculative opportunity.

Common Stock

The common stock offers no dividend possibilities for a long time to come, and will have to wait for the liquidation of the preferred obligations before it can share in the company's earnings. Under the circumstances, this issue can not be regarded as attractive on its investment merits at its present price of 23.

The 6% 1st mortgage collateral trust gold bonds, of which there are $38,655,000 outstanding, are comparatively safe and offer a good medium for investment. Since 1915, interest charges have been earned on the average 5⅓ times over. At present prices of around 81, the bonds yield 8⅓ to maturity. Considering the security behind these bonds and the fact that since last year they have declined from a price where they yielded slightly over 6% to their present level, they appear especially attractive.

As a general conclusion, it may be said that any real turn for the better in International Mercantile Marine's affairs, will have to come about through removal of the various major factors now adversely affecting the industry.—vol. 24, p. 943.

Bid and Asked

Beginners in the investment market have to master so many technical terms that it is not surprising they should become confused over what the initiated would deem an easily understood expression, such as "Bid and Asked." But the busy broker sometimes loses sight of the fact that what is plain to him is Greek to the other fellow, and when a novice asks for a quotation on an inactive bond or stock and he replies "35-40," the broker often becomes impatient at not being immediately understood.

The expression simply means that an offer had been made to pay 35 for a certain security and another offer to sell it at 40. The two offers are expressed "35-40" or written "35@40" for the sake of brevity. Of course, no transaction occurs until the "bid price" and the "asked price" meet.

Financial News and Comment

NOTE.—The Railroad and Industrial Digest, Notes on Public Utilities, Oil Notes and Mining Digest, contain condensations of the latest news regarding the companies mentioned. The items are not to be considered official unless so stated. Neither THE MAGAZINE OF WALL STREET nor the authorities for the various items guarantee them, but they are selected with the utmost care, and only from sources which we have every reason to believe are accurate and trustworthy. Investment commitments should not be made without further corroboration.—Editor.

RAILROADS

Alabama Great Southern.—The 1919 report of this company, which is controlled by the Southern Railway, shows net income of $1,246,180, equal after preferred dividends to $6.47 a share ($50 par value) on the $7,830,000 common stock, compared with $1,169,425, equal to $5.95 a share, in the preceding year.

Canadian Pacific.—Increase in rates granted by the Board of Railway Commissioners of Canada places the 10% dividend of Canadian Pacific beyond question. In 1919 the company earned its dividend by a narrow margin, and net operating income for the first seven months of this year was only $13,047,668 compared with $15,183,181 in the same period of 1919. With an increase in freight rates of 40% east of Port Arthur and 35% west for the rest of the year, the company will at least be able to equal its 1919 showing. In 1921 the increase is diminished to 35% east and 30% west, but as the company will have a full year under this increase and only three and a half months under the greater increase, 1921 will be a much better year for the company than 1920. Passenger rate increases were not as great as in the case of freight and they are gradually diminished until the present rates again prevail, but the company's density of passenger travel is not relatively large.

Cincinnati, New Orleans & Texas Pacific.—The 1919 report of this company, which is controlled by Southern Railway, shows net income of $2,001,466, equal after preferred dividends to $62.83 a share on the $2,900,000 common stock, compared with $1,918,152, or $60.05 a share, in 1918. Federal operating account showed a net income of $519,243 in 1919 and $3,047,946 in 1918, compared with rental of $3,541,039.

Denver & Rio Grande.—Sale of this property under foreclosure is likely to take place in the near future as a result of the offer of the Western Pacific Railroad Corporation, the holding company, to exchange its 10-year 4% notes for the $10,000,000 Denver adjustment 7s outstanding. A default was created under the Denver adjustment mortgage when interest was defaulted on the bonds of the old Western Pacific Railway, since reorganized, and again when Denver itself went into receivership. Neither default has ever been cured and the property can be sold at any time under foreclosure of this mortgage. Western Pacific's offer of exchange can be withdrawn unless holders of $7,510,000 Denver adjustment bonds accept. As these bonds were never widely distributed and rest with the underwriters who have recommended the exchange, there is little doubt that Western Pacific will receive enough of the Denver adjustment 7s to control the action of the trustee. At present the only valuable collateral securing the adjustment 7s is $7,000,000 Denver & Rio Grande refunding 5s, and the exchange agreement provides that Western Pacific can deposit these in lieu of the adjustment 7s as collateral for its own notes. As there is a $36,000,000 judgment between the adjustment 7s and the two classes of stock, no question of upset price is likely to arise in behalf of the stockholders, and the only interest that could raise such a question would be dissenting holders of the adjustment 7s. These are not likely to be numerous nor important, and no great sum will be needed to satisfy them.

Duluth & Iron Range.—Annual report of this company for 1919 shows net income of $1,720,484, equal to $26.46 a share on the $6,500,000 stock, compared with $1,661,439, or $25.56 a share, in the preceding year.

Erie.—Average car movement on Erie lines is now exceeding 31 miles a day, while loadings are approximately 31 tons. This is a better average than the standard set by the Association of Railway Executives, which fixed a movement of 30 miles and average loading of 30 tons as its goal for the roads as a whole. As the company has only 15% of its cars on its own lines, bad order cars are still above the minimum of 4%.

New Orleans & Northwestern.—The 1919 report of this company, which is controlled by Southern Railway, shows net income of $723,285, equal to $12.05 a share on the $6,000,000 stock, compared with $722,559, or $12.04 a share, in the preceding year. Federal operating account shows net income of $181,831 in 1919 and $975,439, compared with rental of $1,204,992.

Seaboard Air Line.—Holders of the $4,000,000 6% notes due September 15, have been offered $750 in cash, borrowed from the Government, for each $1,000 note and a new 7% note for $250 maturing September 15, 1923. The same character of collateral and in the same ratio securing the old notes will be deposited for the extended 7s.

Wabash.—Permission to issue $7,576,120 class "A" preferred stock and a like amount of common has been granted by the Interstate Commerce Commission. This is to provide for the conversion of the remaining unexchanged class "B" preferred, which is convertible into 50% each of class "A" and common, and the provision does not involve any net increase in the capitalization.

INDUSTRIALS

Allis-Chalmers.—6 Mos. Net Profits of $1,599,631 to June 30, last, after taxes are reported by the company. This is at the annual rate of $8 a share on the common stock. The declaration of a second quarterly disbursement of $1 on the common places the stock on a $4 annual basis.

American Agricultural Chemical.—Earnings of $3,576,102 after Federal taxes, charges and preferred dividends, or $11.18 a share on the $31,979,400 common stock are reported by the company for the year ended June 30, 1920, against $2,498,773, or $7.89 a share, on the $31,655,200 stock in the preceding year.

Pres. Bradley in his report said that labor scarcity and inadequate car service prevented a much better showing for the year. He added:

"The current demand for our fertilizers bids fair to tax our facilities to their utmost capacity, orders already in hand for the fall trade being far in excess of those received in the same period of last year. Our 'Other Than Fertilizer' business is also increasing."

It is estimated that Government fertilizer control, which ended January, 1920, cost the company $2,500,000 in net profits.

American Cyanamid — Stock Purchase Stopped. Justice Tompkins, in the N. Y. Supreme Court granted an injunction restraining the directors from buying up the company's pref. stock at $60 a share. The action was brought by C. H. Baker, a stockholder and former vice-president.

Through this suit minority stockholders hope to force directors to declare a dividend on the common stock, and seek other relief from the court. Mr. Baker claims that the majority of the board have voted themselves large bonuses, instead of paying out the money as dividends.

American Druggists' Syndicate.—Net earnings of $360,831, or 53c. a share, ($10 par) for the 6 mos. ended June 30, last, are reported by the company on the $6,779,120 stock.

American Hide & Leather.—Abandonment of the Bonus Plan, which would provide additional compensation for the president and vice-presidents, was announced by Pres. Haight, owing to opposition from a great many stockholders.

American International.—Expands in Far East. The corporation's International Steel Corp., a subsidiary, on Sept. 1 took over the Far Eastern branch offices and good will of Knapp & Baxter & Co., Ltd., the Japanese company of Knapp & Baxter & Co., Inc., in California and New York. The corporation will also shortly open a branch in Shanghai, China.

American Writing Paper.—A new high sales record for the 6 mos. to June 30 last of $15,619,684 is reported by this concern. This compares with $16,817,939 for all of 1919. Present indications are that 1920 gross sales will exceed $35,000,000.

Net profit for the first half of 1920 after depreciation, ordinary taxes and interest amounted to $1,421,559, equal to $11.40 a share on the 125,000 shares of pref. stock outstanding before Federal taxes. It is believed in view of present heavy orders the company will come close to earning $2,500,000 net after all taxes and interest, or $20 a share on the pref. stock in 1920.

Booth Fisheries.—A statement by an official says: "We find demand about stationary, but expect an increase as general business recedes. Hard times are our best days. We have nearly worked off the goods turned back to us by the Government, but this year's results will not be surprisingly good. Our 1920 pack will only be 60% normal, and the sardine plants which we started Aug. 18, will be kept down to 40% or less."

Chicago Pneumatic Tool.—Net income of $633,298 for 6 mos. to June 30 last, after charges and Federal taxes, or $4.91 a share on the $12,897,600 stock, against $299,190, or $4.60 a share in the same 1919 period is reported by the company.

The Income Account, 6 mos. to June 30, 1920, shows:

Gross earnings	$2,679,170
Exp. & Fed. taxes	1,594,238
Balance	$1,084,932
Other income	12,480
Total income	$1,097,412

Int., depr., rnwls., etc.	464,114
Net income	$633,298
Dividends	422,616
Surplus	$210,682

Continental Candy.—6 mos. earnings of 89c. a share to June 30 last, or $443,-902 after expenses but before taxes, are reported by the company on 500,000 no par shares.

Crex Carpet.—Net earnings of $14.90 a share for the year ended June 30, 1920, on the $3,000,000 stock or $447,043 after charges, depreciation and Federal taxes are reported by the company. This is the largest in the company's history, and compares with $307,256 or $6.90 a share last year.

Pres. Robinson said: "We have little or no cancellations and are receiving more orders than usual for this season of the year. We have improved our business very materially.

"During the past year we have formed 'The Crex Carpet Co.' (England, which is handling our business in England very successfully. The sales in other countries have increased wonderfully. Export business may equal or exceed our domestic business."

Cuban-American Sugar.—1920 production off. The company's Central Delicias has completed its crop with a final out-turn of 578,738 bags, compared with 712,733 bags last season. The company's total production for 1919-1920 is 1,575,620 bags, against 1,965,641 bags the previous season. The decreased output was due to drought.

The company has sold but little of next year's crop for future delivery.

Endicott-Johnson.—Plants of corporation are running near to capacity. The company notes a material picking up in shoe business, especially orders for immediate delivery. The company is considerably behind in filling orders.

Famous Players.—Net profits of $2,-204,570 for 6 mos. to June 30 last, after Federal taxes are reported by the company, equal after pref. dividends to $8.50 a share on the 212,227 no par common shares outstanding, not including the earnings of subsidiaries. In the same period of 1919, net profits were $1,933,253.

Fisher Body.—Net earnings of $2,-221,553 for the quarter ended June 30 are reported by the company after charges and Federal taxes, equal after pref. dividends to $4.29 a share on the outstanding 500,000 no par common shares.

Freeport, Texas.—Production of 3,000 bbls. daily of oil is reported for the company's Mexican subsidiary. Additional wells are now being sunk.

Gaston, Williams.—For $2,125,000 the company has sold its building at 39 Broadway, N. Y., to the American Ship & Commerce Corp., and will make its future home at 100 West 41st St., N. Y., where they have taken a long-termn lease on the first 3 floors of the newly erected Buckley-Newhall building.

Gulf States Steel.—July net income of $98,040 after taxes, depreciation and charges was reported by the company, against $102,139 in June, and $621,123 for the 6 mos. to June 30.

General Chemical.—Merger plans of the company, the Barrett Co., National Aniline & Chemical Co., Solvey Process Co., and Semet Solvay Co., whose combined authorized capital is over $175,000,000, were announced by Chairman Nichols of the General Chemical Co., who said that the chief executive officers and certain of the larger stockholders had agreed upon the plans which call for formation of a new company, into the stock of which the present outstanding shares of old stock of the different companies will be exchanged as follows:

Old Stock—		Pref. Stock New 7% Stk.
Gen. Chem.	$100	$100.00
Barrett Co.	100	116.66
Nat'l Aniline	100	100.00

Old Stock—		Common Stock New No. Par Stk.
Gen. Chem.	$100	2.60shrs.
Solvay Process	100	3.16 shrs.
Semet-Solvay	100	2.66 shrs.
Nat'l Aniline	100	1.40 shrs.
Barrett Co.	100	2.29 shrs.

Common dividends will be adjusted from July 1, 1920.

Goodrich.—August Sales of $19,000,-000 are reported by the company, compared with $17,185,000 in July. Total sales for the ten months of the fiscal year are over $180,000,000.

Hupp Motors.—Earnings of $2,601,-713 for the year ended June 30, 1920, after Federal taxes and pref. dividends equal to $5.01 a share on the $5,192,000 common stock (par $10), are reported by the company, compared with surplus of $456,572, or $4 a share.

International Marine.—Asset value of the common stock in the year to Dec. 31, 1919, showed an increase in book value of $14,252,520, the biggest single year's gain in the company's history.

This was due to the paying off during the year of $10,345,100 in back dividends on the preferred stock almost wholly out of income and increasing the tonnage of its vessals. The book value of the common stock on Jan. 1, 1920, was 1, 1920, was $51 a share, against $36 a year previous.

The company has been indicted by the Federal Grand Jury under the Sherman Law, conspiracy and restraint of trade being charged.

International Paper.—Output at max-

MARKET STATISTICS

	N.Y.Times. 40 Bonds.	Dow, Jones Avgs. 20 Indus.	20 Rails.	N. Y. Times —50 Stocks— High.	Low.	Sales.
Monday, Aug. 30......	68.25	86.43	77.12	80.30	77.39	309,000
Tuesday, Aug. 31......	68.32	86.16	77.50	80.68	79.50	532,000
Wednesday, Sept. 1....	68.69	86.34	78.22	80.59	79.34	623.500
Thursday, Sept. 2......	68.95	87.22	78.74	81.38	80.23	708,900
Friday, Sept. 3.........	69.06	88.05	78.88	81.80	80.71	660,600
Saturday, Sept. 4.......			Holiday			
Monday, Sept. 6.......			Holiday			
Tuesday, Sept. 7.......	69.03	88.21	78.79	82.32	81.18	605,200
Wednesday, Sept. 8....	68.95	87.13	78.05	81.68	80.41	567,800
Thursday, Sept. 9......	68.95	88.33	78.07	81.41	80.22	463,300
Friday, Sept. 10........	69.03	87.98	77.90	81.58	80.88	411,600
Saturday, Sept. 11.....	69.10	86.98	77.28	80.83	80.27	231,100

imum—higher prices predicted. The company has been able to keep production at maximum so far this year and it is now running 1,850 tons daily, of which 2/3 is newsprint.

The company states: "Present prices for paper do not nearly reflect current prices in the general market for raw material. This advance in costs is worldwide, and if it continues must inevitably cause a higher level in prices for paper."

The company has notified its customers that it will make contracts for 1921 only on the basis of 80% of the allotment for the current year, as it is believed that fuel, cars, and pulp wood will be difficult to obtain.

Jones Bros. Tea.—July and 7 mos. sales of the company compare:

	1920	1919
July	$1,960,264	$1,410,962
7 mos.	11,796,699	9,099,315

Maxwell Motors.—Net earnings of $4,250,000 for the year ended July 31, 1920, are expected for the company after all charges except depreciation and Federal taxes.

Allowing $500,000 for depreciation, eliminating the contingency reserve, and deducting the same Federal taxes as last year, net profits after all charges, for the year ended July 31, 1920, should approximate $3,500,000, or $27 a share, on the first pref. stock, which would compare with $11.64 last year.

National Lead.—Operations have been seriously hindered by congested transportation and car shortage and fire at its Atlantic plant, where the white lead department was closed down for over 2 month. This and the Jewett plant have so combined to raise costs that the margin of profit in white lead is the smallest in years.

The company's U. S. Cartridge Co. is not operating profitably at present, but it is expected that this will be only temporary.

Nunnally.—For 6 mos. ended June 30, the company reports:

Net sales	$1,301,977
Costs	669,535
Operating Profit	632,442
Taxes, depreciation, etc.	442,243
Net Profit	$190,199
Other income	10,482
Total Income	$200,681
Dividends	79,990
Surplus	$120,691

Republic Motor Truck.—Net profits of $1,741,033 for the 6 mos. to June 30, 1920, before Federal taxes, is reported by the company, compared with $188,751 in the same period of 1919. Profit and loss surplus on June 30, 1920, amounted to $2,-719,033 against $1,242,143 on June 30, 1919.

Replogle Steel.—Net income of 90c. a share for the 6 mos. to June 30, 1920, or $224,629 on the 250,000 outstanding no par shares, is reported by the company.

Sears, Roebuck.—Aug., 1920, sales decreased 9%, as shown by the company's statement:

Sales.—	1920	1919
August	$18,009,326	$19,742,702
8 months	140,069,137	106,655,132

South Porto Rico Sugar.—An extra of $2 a share was declared by directors on the common, and a regular quarterly dividend of $3 a share, payable Oct. 1 to stock of record Sept. 15.

The dividends are payable on the in-

creased stock, including that recently issued as a 100% stock dividend. This places the new stock on a basis of $12 annually, equal to $24 annually on the old stock.

Stewart-Warner. — For the 6 mos. ended June 30, 1920, the corporation reports income from manufacturing, etc., of $1,470,148, against $1,373,884 in the corresponding period of 1919, and a surplus after dividends and taxes of $370,147, compared with $836,884 in the same six months in 1919.

Stromberg Carburetor.—Net earnings of $2.72 a share for the quarter ended June 30 last, or $204,228 after charges and taxes on the 75,000 no par shares are reported by the company, compared with $204,478, or $2.72 a share in the preceding quarter, and $123,753, or $2.47 a share on the 50,000 shares outstanding in the same 1919 quarter.

United Drug.—Income account for 6 mos. to June 30 last, compares:

	1920	1919
Net sales	$34,947,343	$27,895,870
Cost	22,900,715	18,091,487
Gross prof.	$12,046,628	$9,804,483
Oper. exp.	8,826,812	6,867,059
Net profit	$3,219,816	$2,937,423
Other inc.	5,716	7,372
Total inc.	$3,225,532	$2,944,795
Depreciation	355,335	266,320
Taxes	239,459	122,301
D'tful acc. rec.	43,143	12,527
Total deduc.	$637,937	$401,148
Final net prof.	†2,587,595	2,543,646

†Equal to $6.82 per share on common stock after pref. dividends.

United Fruit.—40,000,000 lbs. of sugar costing 17¾c. a lb. is held by the Revere Sugar Refinery, a subsidiary, according to V-Pres. Worcester.

U. S. Rubber.—Operations not curtailed.—6 mos. earnings. In the face of a general curtailment of operations by most of the tire manufacturers in the country, the company has not reduced its working forces or cut production of tires, because at no time since Jan., 1919, has the company been able to catch up with orders. It is continuing the expansion of its manufacturing facilities which by Dec., 1921, will have provided additions to plants which will double 1919 tire making capacity.

The statement of the corporation for the 6 months ended June 30 last, shows surplus, after charges and Federal taxes, of $13,690,924, equal, after pref. dividends, to $13.68 a share on the $81,000,000 common stock against $10,815,750, or $23.01 on the $36,000,000 common stock for the same 1919 period.

Sales totaled $129,588,987, an increase of $30,099,615 over the preceding year. The profit and loss surplus showed $51,490,036, an increase of $1,356,135.

Virginia Chemical.—Statement by Pres. Wilson. In reviewing the year ended May 31, 1920, Pres. Wilson stated that earnings for that period were exceeded but once in the company's history. Total turnover amounted to $138,918,234. The average net profit on turnover was 5.29%.

Shipments of potash salts in substantial quantities from the German and Alsatian fields, not available to America the greater part of the war, were resumed in the Autumn of 1919, and are now being received, but at a cost practically three times the pre-war price.

Owing to the extraordinary cost of building the company did not undertake any new construction work."

PUBLIC UTILITIES

Cities Service.—Earnings of $40.94 a common share for the 12 mos. ended July 31 last were reported by the company, while pref. dividends were earned 4.42 times over. Profits for the 7 mos. to July 31 were at the annual rate of $45 a common share. The company has just brought in a well in the light oil district in Mexico with an initial production of over 65,000 bbls. daily.

Columbia Gas & Electric.—Net Profits of $5.98 a share on the 500,000 shares, or $2,990,342 are reported by the company for the 7 months ended July 31, 1920, after all taxes and fixed charges, against $6.51 a share in the 1919 fiscal year. For the 12 months of the current year the company should show around $12 a share earned on the stock.

An additional 30,000 kilowatt unit to the West End electric plant is being finished and should be in operation this Fall. The plant has a capacity of 60,000 k. w. Gasoline output of the company and subsidiaries is running in excess of last year and is benefiting from the advances in prices prevailing.

Commonwealth Edison. — Construction of the new $2,000,000 steam generating plant of the company, to have an ultimate capacity of 180,000 kilowatts, has started. It is expected to be completed by Nov., 1922.

Detroit Edison.—Net profits of $8.09 a share, or $2,237,902, after charges and Federal taxes are reported by the company on the $27,655,200 stock for the year ended June 30, 1920.

Hudson & Manhattan.—Fares. The proposed increase in fare to 8 c. on the company's lines between Jersey City and Hoboken, N. J., and Hudson Terminal Station, N. Y. City, is not justified, the I. C. Commission finds. However, it approves the 6-c. fare between those points and the 10-c. fare between Jersey City and Hoboken on uptown stations, Christopher St. to 33rd St. inclusive.

Interborough Rapid Transit.—Two new extensions were opened, (the Eastern Parkway and Nostrand Av. branches) by the system in Brooklyn, thus furnishing new facilities to a large section.

The company reports for the year ended June 30, 1920, a deficit of $2,235,835 after charges and taxes, against a deficit of $3,810,839 the previous year.

The report indicates that the level of prices for supplies and labor are still so high that despite increased traffic the company cannot operate profitably on a 5c. fare.

The report places **emphasis** upon the city's need for more subways, and points out that receivership for the Interborough, if followed by the cancellation of the elevated railroad lease, would involve serious loss to the public, in transportation privileges and might increase the fare to 10c. and 15c. on certain lines.

N. Y. Railways.—Foreclosure is forecast against the company, unless its financial condition substantially improves before Nov. 1.

If foreclosure is pressed, the initiative will be taken by the Guaranty Trust Co., as trustee of the 4% bonds, representing securities totaling $18,063,539.

N. Y. Telephone.—A 33% rate increase has been petitioned by the company to the N. Y. Public Service Commission for service in N. Y. City. The proposed new city rates would produce about $16,000,000 additional annually. A petition filed several weeks ago, asking rate increases for the entire state outside

of N. Y. City, became effective Sept. 6, and will add $3,750,000 annually to the company's revenue. These rates have been protested by several upstate cities. The company plans to spend $26,000,000 for enlarging its plant in N. Y. City in 1921. The improvements include the automatic telephone service which is rapidly assuming shape for use.

MINING NOTES

Anaconda.—To become fertilizer producer. The company has plans laid to place the corporation in the front rank of fertilizer producers. Experiments in producing fertilizer have been conducted at the old Bradley plant at Anaconda for several months, and results have been encouraging.

Already the company has perfected a sales organization, and tentative bids for large amounts of fertilizer have been received from Illinois and Indiana. The company is also seeking part of the Japanese trade.

Engineers intimate the company will ultimately treat 1,000 tons of phosphate rock daily, yielding 750 tons of fertilizer.

Calumet & Hecla.—4 mines closed. The company has closed down the Allouez, Centennial, Osceola and Superior mines. These are smaller mines in the group, but will result in a further curtailment in Calumet & Hecla output of roughly 8%.

Canada Copper.—The privilege of converting old into new stock has been extended to Oct. 1. The new Canadian corporation is not yet formed.

Consolidated Interstate Callaghan.—12c. a share earnings, or $44,737, were reported by the company for the quarter ended June 30, 1920, after expense, taxes, etc., on the $3,733,030 stock, par $10, compared with $260,110, or 69c. a share, in the March quarter.

East Butte.—Net earnings for 7 mos., to July 31 by the company were $210,000 before taxes and extraordinary charges. Net quick assets total $2,300,000.

It is costing the company 16½c. per lb. to produce its copper.

Oil developments are still of a negative character, but drilling and prospecting are being carried on vigorously.

Magma Copper.—July and 7 mos. output. The company produced, in the 7 months ended July 31, 5,692,144 lbs. copper, 224,000 ozs. silver, and 2,933 ozs. gold. Receipts from silver and gold were $282,660.

July's output totalled 865,774 lbs. copper. If this rate prevails the rest of the year, the company will turn out 10,000,000 lbs. copper in 1920. Last year's output was 9,698,902 lbs. of copper, 416,773 ozs. silver, and 4,576 ozs. gold.

Shattuck-Arizona.—A deficit of $27,553 is reported by this company for the quarter ended June 30, 1920, after expenses and depreciation. This compares with net income of $55,740 in the preceding quarter, and deficit of $93,010 in the June, 1919, quarter.

No new ore developments of any importance were made during the second quarter.

OIL NOTES

Atlantic Gulf.—Mexican oil shipments are increasing, and the company's Mexican oil subsidiary is shipping 1,100,000 bbls. monthly. The pipe line is virtually operating at capacity. Shipments in July were 914,969 bbls., and in May and June 200,000 bbls. monthly. Operations

started May 1, 1920. Shipments for the 8 months to Dec. 31 should total 6,815,000 bbls.

The company is striving to bring shipments to 50,000 bbls. daily before 1921. With the present 10-inch pipe line of 40,000 bbls. daily capacity the total capacity should be 80,000 bbls. daily by November next.

The company put the new 33⅓% increase in freight rates in effect on Aug. 26.

Bigheart.—Earnings and operations of the company are increasing. The company has now in full operation a continuous battery of stills and is putting through 2,400 bbls. of crude petroleum per day. Every unit of the refinery is in working order and the highest efficiency is being obtained.

In July shipments of refined and finished products were 60% greater than the average for the first six months of this year.

California Petroleum.—Net earnings of $1,128,157 for the 6 months ended June 30 last, after charges and Federal taxes, are reported by the corporation equal, after pref. dividends, to $4.94 a share on the $14,877,055 common stock, against $1,007,406, or $4.20 a share in the same 6 months of 1919.

Dominion Oil.—3,300 bbls. daily production is reported by the company in a statement to stockholders. This production is being taken at prices ranging from $3.75 to $4.25 per bbl. Total operating expense, exclusive of drilling new wells, is $15,000 per month. With the production stated, earnings are running at $300,000 per month.

Glenrock.—A stock increase from $10,000,000 to $15,000,000 has been decided on, to develop the company's acreage in the Salt Creek field, Wyoming.

Houston Oil.—A new well was brought in by the company in its No. 39 well in the Hull field, Texas, flowing 1,500 barrels of clean oil. This is the second completion in a week, the company's No. 36 having also come in with a flow of 1,500 bbls. Two other wells are under way.

Imperial Oil.—Active drilling operations in Alberta, Canada, by this Standard Oil subsidiary, is the first attempt on a large scale to develop the oil resources of the Dominion.

The company has under lease 125,000 acres in Alberta, Northwest Territory and Saskatchewan, and is drilling 7 wells in southern Alberta, while tests are being made in other sections. The company has already spent $1,000,000 in drilling. The indications in Alberta, Saskatchewan and other parts of the Northwest are considered so favorable that oil operators have arrived in large numbers to secure leases. English interests are reported to have obtained important concessions, but while much land has been taken up, Imperial Oil's work constitutes the first big development in that territory.

Invincible.—A well of 3,000 bbls. daily production in Eastland County, Texas, was brought in by the company in its Shook No. 3 well.

Island.—6 mos. earnings of 58c. a share, to June 30 last, or $1,326,603 after charges and taxes, are reported by the company on the $22,500,000 stock, par $10. This does not include any earnings **from refineries in which the company** is interested and which are now beginning operation.

Net earnings of the corporation in the last half of 1920 will be considerably increased over the first six months, because of increased shipments of oil from Mexico.

The corporation is shipping 1,500,000 bbls. a month from Mexico. The com-

pany is operating 5 of its chartered tankers and is negotiating for others.

Lone Star Gas.—A 50% rate increase was granted the company by an emergency ordinance passed and effective Sept. 15 in the city of Dallas for natural gas. This ends the controversy with the company, which began last Winter on account of a shortage in the gas supply. The company emerges from these difficulties with a general 50% increase in gas rates in the 32 Texas cities and towns which get gas through its pipe lines.

Marland Refining.—Daily output of 8,500 bbls. of oil in which the company has an interest, is reported, an increase from 500 barrels from Jan., 1918. Of this production, which comes from 240 wells, the company controls 7,000 barrels, of which 3,000 barrels come from the Osage district in Oklahoma.

Mexican Petroleum.—A $3 quarterly dividend was declared by the company on the common stock, increasing the rate from $2.50 paid previously.

Middle States.—Stock increase planned. Pres. Saklatvala has recommended to directors calling a meeting of stockholders to increase the capital to provide for continuing the company's business on the same basis of production, growth of its assets and earnings and future distribution to stockholders as have been made heretofore. Present outstanding stock is $7,800,000 of $8,000,000 authorized.

He added that the corporation has acquired the entire capital stock of two of its subsidiaries, and nearly all of the other four, and that earnings were continuously increasing.

The company for the 6 months ended June 30, 1920, shows net income after charges and Federal taxes of $3,545,380, equal to $4.54 a share ($10 par) on the $7,800,000 stock outstanding on the above date.

Sinclair.—Net earnings continue upward, July establishing a new high record. This is because the company is beginning to benefit from new money spent for construction.

Based on earnings since June 30, net profits for 1920 will exceed the earlier estimates.

The Well of Sinclair-Mexican Co. on Lot 114-Chinampa, Mexico, light oil district has come in for 60,000 bbls. daily. This is the first well of Sinclair in this district. Other drilling operations are under way.

Standard of N. J.—The Rumanian subsidiary of the company is reconstructing its 10,000 bbl. refinery, destroyed during the war, and is perfecting transportation facilities both in the field and at Constanza, the principal shipping point. The company is now shipping Rumanian oil.

Standard of N. Y.—Failure to hold the special meeting of stockholders of the company because a majority of stock was not represented indicates the abandonment of the proposed plan to increase the authorized issue from $75,000,000 to $225,000,000. It is believed a substitute plan will be arranged.

Texas Co.—Reduction to 9,000 bbls. daily production is reported for the Abrams No. 1 well, of the company, in the West Columbia field, which has produced 1,100,000 bbls. with a market value of $3,300,000 since completed on July 21 last. In the 42 days to Aug. 31 it averaged 26,000 barrels daily.

Production of the Abrams well has increased the company's output, bringing it now up to about 640,000 bbls. daily in this county, against 55,000 bbls. prior to its completion.

Ventura.—3,604 bbls. daily output for the first 6 mos. of 1920 is reported by the company, against 3,040 bbls. daily in the same 1919 period. Profits before depreciation and taxes for the first half of 1920 were $1,551,404, against $893,659 in the same period of 1919. Sales during July, 1920, amounted to $550,000, the largest month in the history of the company.

UNLISTED NOTES

Arkansas Natural Gas.—3,000 bbls. daily is now the Homer Field production of the company in Louisiana. The company also has under way 4 wells in a southwest extension of the Bull Bayou field.

Dominion Steel.—A $5,500,000 outlay is planned by the company, $4,000,000 in developing the Cape Breton mines, and $1,500,000 on the Springhill, Nova Scotia, mines.

McCrory Stores.—July and 7 mos. sales of the company compare:

	1920	1919
July	$1,201,648	$908,487
7 mos.	7,346,908	5,958,211

Spicer Mfg.—Earnings of $1,200,000 for 6 mos. to June 30 last were made by the company after taxes, interest and other charges. The balance available for the common in this period was $1,080,000, against $1,373,382 for the 1919 fiscal year.

Sweets Co.—Operating at a loss practically all of 1920, excepting January and February is reported by the company. Losses in the later months more than wiped out the gains in the first two. The unprofitable season has been a reflection, in part, of soaring sugar prices and other increased expenses.

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WORLD PEACE DEPENDS ON SOLUTION OF OIL PROBLEM

(*Continued from page 700*)

oil men have gone extensively abroad, but they have had to contend with many almost insurmountable difficulties in obtaining oil concessions. In dealing with a commodity as varied in production as petroleum, estimates of future reserves are subject to a large co-efficient of error, but the best scientific estimates indicate that there is an evenly balanced distribution of petroleum between the Eastern and Western hemispheres. And the welfare and security of any nation, so far as these products are concerned, must be predicated upon the maintenance of reciprocal relations between the nations and a strict adherence to the principle of reciprocity."

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AND ANSWER FROM ONE OF OUR SUBSCRIBERS

1. Q. Are you an employer, employee, professional man or retired? (Underline which)
2. Q. If you are a firm member, what position do you hold and in what industry?
   A. Corporations, President, Vice President.
3. Q. Are you consulted in determining the purchases of your concern?
   A. Yes.
4. Q. Are you a member of any Board of Directors, and how many?
   A. Yes.—3
5. Q. Please mention makes of automobiles you own?
   A. [illegible], 1 Cadillac, 1 [illegible]
6. Q. What motor trucks are used by your firm, and how many?
   A. "Mack"—4
7. Q. Do you own your own home?
   A. No.
8. Q. INCOME per annum — Up to 5,000 —— Up to 10,000 —— Up to 15,000 —— Up to 25,000 —— Over 25,000 ——
9. Q. Does your firm do business with foreign countries to any extent?
   A. Yes.
10. Q. How often do you purchase Investment Securities? A. From time to time
    Through local house? A. Yes New York? No Elsewhere?

All Questionnaires received are on file in our office for reference

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COPY

AND AN:

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A. Corporn

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A. Yes.

Are you a member

A. Yes.—

Please mention m

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What motor truck

A. Mack

Do you own your

A. No.

INCOME per annum

Up to 15,000----

Does your firm d

A. Yes.

How often do you

Through local ho

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BEST BY TEST—
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Important Dividend Announcements

To obtain a dividend directly from a company, the stock must be transferred into the owner's name before the date of the closing of the company's books.

Ann. Rate	Name	Amt. Declared	Paid to Stock of Record	Div. Payable
7%	Allis-Chalmers, p...	1¾%Q	9-24	10-15
7%	Ames-Hold.-M'C'y, p	1¾%Q	9-17	10- 1
6%	Amer Art Works, p.	1½%Q	...	10-15
6%	Amer Art Works, c.	1½%Q	...	10-15
8%	Am Ex Se (Cl "A")	2 %Q	9-18	10- 1
7%	Amer Public Ser, p.	1¾%Q	9-15	10- 1
7%	Amer Woolen, p...	1¾%Q	9-15	10-15
7%	Amer Woolen, c...	1¾%Q	9-15	10-15
8%	Beth Steel, 8% p..	2 %Q	9-15	10- 1
7%	Beth Steel, 7% p..	1¾%Q	9-15	10- 1
7%	California Petrol, p.	1¾%Q	9-20	10- 1
7%	Canad-Crock-Whl, p.	1¾%Q	9-20	9-30
7%	Canad-Crock-Whl, c.	1¾%Q	9-20	9-30
$2.50	Con M & S C ($25)	.62½c Q	9-10	10- 1
7%	Cuba Cane Sugar, p	1¾%Q	9-15	10- 1
$4	Davies, W (Cl "A")	$1 Q	9- 1	9-15
$4	Det & Cl Nav ($50)	$1 Q	9-15	10- 1
6%	Dunham (J H), 1st p.	1½%Q	9-20	10- 1
5%	D'n'hm (J H), 2nd p.	1¼%Q	9-20	10- 1
6%	Dunham (J H), c.	1½%Q	9-20	10- 1
7%	Eisnlhr (O) & Brs, p	1¾%Q	9-20	10- 1
$7	Farrell (W) & Sons, p	$1.75 Q	9-20	10- 1
6%	Fonda, Jhns & Glo, p	1½%Q	9-10	10- 1
7%	General Baking, p.	1¾%Q	9-18	10- 1
....	Genl Baking, p ext.	m¾%Q	9-18	10- 1
....	Gt Lakes Eng Wks.	p100%	9- 2	9- 3
7%	Hanes Knitting, p..	1¾%Q	9-20	10- 1
8%	Hanes Knit, c ($10)	2 %Q	9-20	10- 1
8%	Hanes Knt, c B(10).	a2 %Q	9-20	10- 1
8%	Hercules Powder, c.	2 %Q	9-15	9-25
$7	Inter Mot Trk, 1st p.	$1.75 Q	9-15	10- 1
$7	Inter Mot Trk, 2d p.	$1.75 Q	9-15	10- 1
$1	Kenn Cop (no par)	.25c Q	9-14	9-30
7%	Kolb Bakery, p....	1¾%Q	9-18	10- 1
4%	Lack R R of N J..	1 %Q	9- 8	10- 1
7%	Loco Co of Am, p..	1¾%Q	9-15	10- 1
8%	Loews Tht Co ($10)	2 %Q	9-23	10- 1
7%	Manati Sugar, p...	1¾%Q	9-15	10- 1
8%	Mexican Petrol, p..	2 %Q	9-16	10- 1
12%	Mexican Petrol, c... —Incr from 2½%Q.	3 %Q	9-16	10-11
$4	Nat'l Brew, c ($25)	.$1 Q	9-15	10- 1
6%	New'k & Blmf ($50)	3 %S	9-22	10- 1
5%	N Y, Lack & West.	1¼%Q	9-14	10- 1
8%	Orpheum Cir, Inc, p	2 %Q	9-15	10- 1
$2	Orpheum Cir, Inc, c.	50c Q	9-15	10- 1
12%	P A P & T, c A($50)	3 %Q	9-16	10-11
7%	Pabst Brewing, p...	1¾%Q	9- 4	9-15
6%	Pac Tel & Tel, c..	1½%Q	9-30	10-15
f5¼%	Pure O Co, 5¼%, p	1¼%	9-15	10- 1
6%	Pure Oil Co, 6% p.	a1½%Q	9-15	10- 1
8%	Pure Oil Co, 8% p.	a2 %Q	9-15	10- 1
7%	Rey'ds (R J) Tob, p.	1¾%Q	9-15	10- 1
8%	R'y's (R J) T, c ($25)	2 %Q	9-15	10- 1
8%	Rys (R J) T, c b($25)	2 %Q	9-15	10- 1
8%	Rubber Products Co	2 %Q	...	...
20%	Seamans Oil ($1)..	5 %Q	9-15	9-30
4%	S R, M & O T Ctfs	2 %Q	9-15	10- 1
5%	St L, R Mtn & P, p	1¼%Q	9-18	9-30
4%	St L, R Mtn & P, c	1 %Q	9-18	9-30
7%	Twin City Rap T, p	1¾%Q	9-15	10- 1
....	T P C & O, stk div.	x2 %Q	9-16	10- 1
6%	United Lt & Rys, p.	1½%Q	9-16	10- 1
6%	United Oil Co.....	1½%Q	10- 5	10-15
7%	Utilities Sec Cor, p	1¾%Q	9-17	9-27
7%	Warren R R ($50).	3½%S	10- 4	10-15
$3.50	W E St. Ry, c ($50)	1.75 S	9-20	10- 1
6%	Westn Assurance, c.	3 %S	8-31	9-15
6%	Westn Pac R R, p..	1½%Q	10- 1	10-14

aInitial dividend.
ePayable in common stock.
pLiquidation.
xPayable in stock.